

ECONOMICS IN ACTION • FEB. 1954

The nation's economists, bankers and businessmen have finished those annual get-togethers in which they try to forecast the economic shape of things to come. The majority verdict: 1954 will witness a moderate decline in over-all business activity, BUT no serious nosedive:

The Gross National Product will average 5% to 7% below 1953's record \$367 billion as businessmen get rid of top-heavy inventories and the Government cuts spending. Actually, the decline has already started—with the GNP for December running well behind previous rates. This could be cumulative to the extent of an \$18 billion drop in GNP for '54.

Unemployment, which is already past the 2 million mark, will climb to about 3.5 million before the year is out. This still compares favorably with the 4.5 million unemployed during the 1949 recession, but it also means that much less buying power.

Personal income will get a boost from recent tax cuts, but this will be offset by higher Social Security taxes, less overtime and increased layoffs.

Consumer spending will be more selective with less installment buying but also less saving.

These estimates are only tentative and could be reversed by a change in the political picture, but they do represent the thinking of some of the most influential economic brains in the country. What these men think of our economic health directly influences the planning of the businesses, banks, labor unions and Government agencies they represent.

This attitude of "optimistic caution" is probably best reflected in business spending plans:

Capital plant and equipment expenditures for 1954

ECONOMICS IN ACTION

will continue high, but will be off about 2 to 4% from last year's record rate. Should a recession really develop, of course, business would drastically cut its spending plans.

Inventory buying will be sharply reduced, particularly in the first half of 1954, as businessmen get rid of unsold stocks currently valued at over \$79 billion. This will probably mean some temporary production cutbacks. Steel mills, for example, are operating at the lowest non-strike level in years as manufacturers shave off their steel inventories. Orders for machine tools are down 28% from last year and accumulating stocks of unsold TV sets, autos and textiles are already forcing some cutbacks in production.

Advertising outlays, which hit a record \$7.5 billion last year, will be stepped up as manufacturers get set for the biggest selling drive ever. More money will also be spent on research and product development.

This kind of planning indicates that businessmen are ready to meet a slight readjustment period. Profits are expected to ease about 6% from last year's high levels despite tax relief as manufacturers reduce prices to meet rising sales resistance. Business failures, which showed a 13% rise last year, may climb even higher. But many businessmen still expect to weather the storm and emerge with substantially the same earnings as last year.

Economists believe that the current business decline is a clear indication that the era of shortages, due to the Korean war, is at an end. With Government

(Cont'd on p. 63)

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a personal note

FOR A GOOD many years now businessmen in this country have been spending a lot of time and money explaining themselves to the public. They have gone about this with the fervor of misunderstood men. And because they felt the public didn't trust them, their explanations have been guarded, sounding very much as though businessmen didn't trust the public. What should have been a solid program of economic information all too often boiled down to an ordinary advertising campaign, more akin to propaganda than to education.

Because the post-war economy expanded to a point beyond all expectation, management people thought they found in this a good vehicle with which to carry their case to the public. Full attention was turned to a *description* of the marvelous achievements of American business and industry. Very little time and effort was put to *explaining* the methods by which these achievements were made possible. Interestingly enough, business interests have been willing to provide large sums of money to research and educational institutions for the development of techniques in popular economic education. But most industrial organizations—not all, but most—have shied away from the educational approach and have relied upon “safe” descriptive material about their own achievements.

As a consequence, the needs and operations of businessmen are still something of a mystery—to be praised when the results seem to be to everyone's advantage, and to be damned when the advantages are not so apparent. The principles behind the development and explosion of an atomic bomb have been far better explained, and are far better understood by the public, than what makes a business and an economy tick.

Now that their favorite talking point, a constantly expanding economy, has come to a legitimate and natural pause, businessmen and their public relations experts are faced with a crisis. They will again be blamed for everything that goes wrong, or seems to be going wrong. The problems of the businessman are only a little more understood today than they were ten years ago.

ON TWO separate occasions very recently I heard expressions of public attitude which show how much effective business education programs

are needed. The first of these occurred on New York City's Seventh Avenue bus line. The driver of the bus, in a talkative mood, was explaining to the only two passengers aboard that the rise in fares from five to thirteen cents within a period of ten years was due to the fact that racketeers and grafters had increased the size of their take. Now this driver, who has to be a reasonably intelligent man to hold his job, was apparently unaware of a great many economic circumstances, including the sizable hikes in the salaries of drivers, which have made necessary the increase in fares.

On another occasion, while enjoying an oyster stew at Grand Central Terminal's Oyster Bar, I overheard two countermen discussing the New Haven Railroad's recent petition for a one-third increase in commuter fares. One counterman was insisting that the railroad was making too much money already; and the other was commiserating that if the fares should keep increasing, commuters would not be able to frequent the Oyster Bar and consequently they would both be out of a job. The merits of the New Haven's request do not concern us here. But it seems to me that the countermen were apparently unwilling to consider the fact that a railroad cannot run a particular service in the red, if it really is in the red. But no one can blame the public for blatantly disregarding the economic facts of life, if these facts have not been adequately called to attention.

IF BUSINESSMEN and industrialists want the public truly to understand their profession as well as appreciate what they have achieved, they had better get down to explaining as soon as possible what makes a business run. What, for example, is "amortization," "depreciation," "investment capital" and some of the other meaningful terms which form the basis of an accountant's bookkeeping? What is "competition"? There is more to this word than a dictionary definition, for a business organization must do many things in order to survive in a competitive atmosphere. Above all, business attitudes must become second nature to the public at large. Business must be understood as something which is not a separate entity from other phases of American life. Its long-range interests, after all, are the same as those which benefit the workingman or the consumer. Businessmen ought not to feel that they must call attention to just the "right kind" of information in the hope that the "right" impression will be made. They must be willing to discuss everything with everybody and trust the public intelligence to draw its own conclusions.—H.B.

A Belgian economist sees no future in trade with the Soviet bloc. Favorable U. S. trade policies, he believes, are far more important to Western Europe's economic health

MYTHS OF EAST-WEST TRADE

by Lucien L. Sermon

AT LEAST three events have revived interest in the controversy over East-West trade even as it was becoming academic.

The first of these chronologically speaking, was the changed orientation Soviet economic policy assumed with the advent of Malenkov: the Communists are now willing, for various reasons, to expand their trade with Western Europe. The second was the Korean truce, which led many manufacturers to hope that the embargo on supplies for China would be relaxed. Thirdly, the general slowing-up of business conditions has made exporters who are anxious for outlets eye Red markets.

The problem of East-West trade is thus raised once more, and with particular urgency.

The question is all the more difficult since the United States Government and American public opinion have grave objections to this trade. It is hardly necessary to recall the main one: expansion of

East-West trade would, directly or indirectly, reinforce the military potential of the Communist world.

In Washington, the conviction prevails—with good reason, it seems—that the embargo on supplies to China has done as much as the UN armies in obtaining the Korean armistice. Consequently, it is believed that the embargo must be continued and tightened to keep the war from breaking out again.

Washington is just as severely set against trade with Russia and her East European satellites. For if the West lightens the effort that Soviet industry is finally making to answer the needs of the Russian consumer, then at the same time it would free Russia's productive capacity, allowing her to build up military and industrial might both

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for herself and for China. A cartoon in a Belgian newspaper put this in an amusing way. A sheepish exporter is seen cringing before a military court, which sternly reprimands him: "By selling herring to our potential enemy you have allowed him to save his fishing boats for war purposes!" This little joke, though exaggerated, contains a kernel of truth.

In short, it is understandable that voices should be raised in the United States demanding a further reduction in European exports to the East.

HOWEVER, Mr. John Foster Dulles showed caution and good sense when he declared, with respect to China, that it would be better to tolerate a certain limited and controlled trade than impose a total embargo which would force these dealings to find secret channels. In Europe, he said, a little trade with the Soviet satellites could also help demonstrate the superiority of free enterprise to communism.

In any case, not a reduction, but an expansion, of trade with the East is now the order of the day in Europe. No doubt, governments and the man in the street understand perfectly well that it would be idiotic to furnish arms to the "potential enemy," but they do believe that trade with the East could be increased, exclusive of strategic goods. They also have the impres-

sion that the list of forbidden goods is unnecessarily long. Be that as it may, the governments of Western Europe are playing the game and with good grace have imposed restrictions on East-West trade similar to those of America's Battle Act (authored in 1951 by Rep. L.C. Battle, D.—Ala.).

All exports to the East are subject to license, and such licenses are always refused for products on List A (strategic goods) and often for those on List B (important raw materials and finished products). In doubtful cases, an advisory body gives its recommendation, which is usually heeded.

This body is the Coordinating Committee, known as COCOM; it is located in Paris and coordinates policy on exports to the East from the U.S., Canada and countries receiving Marshall Plan aid — now military aid. These latter countries, should they violate the list of forbidden exports, risk being deprived of American aid.

THE U.S. Government has been broadminded in the practical application of these agreements, since it sometimes finds itself in difficult situations in Europe. COCOM also takes a flexible attitude and knows when to close its eyes to trivial violations. For example, the Belgian fishing industry recently benefited from a large order for fresh herring on condition that at the

same time Belgian shipyards build trawlers for Russia. Believing that the trawling nets could be used for other things besides fishing—mine laying or mine sweeping, for example—COCOM decided to baptise these trawlers “refrigeration ships” and allow them to be built, on condition that they not be equipped with special hoisting machinery. Thus the transaction was concluded to the satisfaction of the Belgians, and it was up to Russia to find someone else to supply the trawling nets. She found Denmark willing. Denmark had already, a few months earlier, been forgiven for transporting a cargo of fuel oil: the order was an old one, and besides . . . one ought to keep one’s labor-force at work.

I don’t mean to cast a stone at this little country which usually supplies the world with so much more butter than guns. Others, too, have minor sins on their consciences.

It is quite a game to search out in each nation’s press indignant accusations against foreign governments which supposedly tolerate or encourage forbidden exports to the East. If we are to believe each newspaper, only in its own country are the obligations arising from the Battle Act respected. The usual conclusion is: “Why does France (or Belgium, or England) hold back from taking the same liberties? Are we going to let less

scrupulous competitors snatch Soviet markets away from us indefinitely?”

THESE recriminations are rarely justified. In general, governments act correctly, a few private persons smuggle, and the sensational press makes scandals. There are no sealed blockades, even in wartime. It is so easy to re-route a ship once it is underway; or to export to a neutral country where middlemen can cleverly cover their tracks. Governments, however, do what they can. It is difficult to imagine the number of declarations that must be filled out to export a piece of machinery to Iran, for example. The various administrative agencies have a habit of asking questions the exporter can scarcely answer. For instance, how can he guarantee that his customer will not re-export?

At the East-West Economic Conference organized by the Economic Commission for Europe (a UN agency) in Geneva in April 1953, much was made of the many illusions on the possibility of encouraging trade between the free and the gagged worlds. A historical importance was given to this trade that it does not entirely deserve. It is hardly surprising that since the conference, industrial circles, faced with signs of a decline in trade, have sometimes been impatient with governmental restric-

tions. The Federation of British Industries has established a special committee for the development of trade with the East. German industry has also shown interest in the question. The French press made something of a clamor about a commercial agreement recently concluded between Paris and Moscow and did not fail to criticize American rigidity. The Federation of Belgian Industries has urged trade negotiations with Russia. Belgium and Russia are about to conclude a mutually advantageous agreement.

The strange thing is that the trade unions have shown the greatest caution. They fear East-West trade as a trap, a political bid that could weaken the control they already have great difficulty in exercising over the rank and file. Recently, the British Trades Union Congress reacted hostilely to a campaign, proposed by certain members, for expanded trade with the East.

If the Christian and Socialist unions were to campaign for an expansion of East-West trade, and if their Governments were to yield and negotiate agreements with the USSR and her satellites, and if such trade did not materialize, the whole mess would be blamed on them. Union leaders would rather see this confusion overwhelm the Communists and that minority of foolhardy businessmen who argue

for greater East-West trade at any cost.

As for the Communists, it goes without saying that they favor such an expansion. With each increase in unemployment, however localized, they cry out: "This wouldn't happen if we could export freely to the East."

FINALLY, in some impartial circles it is believed that the growth of East-West trade would help to close Western Europe's dollar gap. This argument has been advanced by the International Monetary Fund and by certain European committees of the International Chamber of Commerce. It is valid, but of limited significance.

Since 1947, Western Europe's dollar gap has varied considerably from year to year: from six billion to 600 million dollars. It seemed almost solved by the second half of 1953, following particularly favorable circumstances. These circumstances will not necessarily continue, and it is believed by authorities that a dollar gap of two billions on current payments will be normal for some years to come. But the trade of the eighteen Marshall Plan countries with Russia and her European satellites today amounts to an annual average volume of 900 million dollars in imports, and 700 million dollars in exports. This East-West trade would have to be more than tripled to provide Europe

with the goods she would otherwise have to buy from dollar areas—with dollars which are always in short supply.

EVEN before World War II such a volume of trade was not attained. Obviously it could not be today. It is significant that before the Korean war and the Battle Act, trade with the East had only reached 950 million dollars in imports and 800 million dollars in exports. There are many reasons for these small figures.

First, the economic structure of Eastern countries has changed considerably. Their industrialization has reduced the volume of surplus mining, forest and agricultural products that the West used to buy.

It is true that in their trade offensive the Russians have offered—ostentatiously so—wheat, oil, coal, barley, sugar, chromium, tungsten, molybdenum and automobiles. But can they deliver them in more significant quantities than they have thus far?

Consider their surprising offer of metals on the blacklist of the Battle Act. It is certainly paradoxical. Has it any other purpose than to dazzle or divert suspicion? Or does it rather mean that the Russians are willing to pay any price to obtain the goods we hesitate to sell them?

This is also quite likely, since they recently sold a great deal of

gold and silver in Europe. They apparently did this to build up currency reserves to enable them to buy more wool and rubber. This would tend to prove that they do not have enough other exportable goods which the West wants. Another symptom seems to confirm the point: Russian products are generally very expensive—15 to 20 percent above world prices. Is this simply proof that their production costs are high, or is it rather a sign of a scarcity of these goods? Whatever the case may be, this price level is in itself a second obstacle to the development of East-West trade.

Thirdly, in order to pay for such imports, the West would have to sell in exchange certain products that it possesses in excess and can sell only with difficulty in other markets. Among these products are many whose strategic importance no one would dream of denying. It would be impossible to increase their sale to the East. However, it must be recognized that lately Russia has also been asking for other commodities: consumer goods, textiles and food products. There are certainly possibilities here that could be exploited.

AS FAR as China is concerned, the situation is quite different. There the problem is not to raise living standards, but rather to produce a massive industrial plant and mili-

tary machine. Against the fanciful hopes of visitors to the Celestial Empire who return with stories of fabulous orders, it is well to cite the observations of a certain ambassador to Peking. He remarked at a recent luncheon party in Brussels that China now suffers from such a superiority complex that her insolence knows no limits and that it would be difficult to do business with her. And this is the opinion of a man whose pro-Chinese sympathies are well known.

Fourthly, trade with totalitarian states is neither pleasant nor easy for private business firms. They are confronted with an exacting and changeable monopoly, whose decisions depend more on political motives than on economic calculations. Occasional sales and purchases are possible, but it would be dangerous to base a production program on a single large customer or producer who is so capricious.

Finland discovered this at the price of her economic independence. Here is a little country which, in order to pay her war-debts to Russia, developed an industrial structure capable of producing the goods demanded by her creditor. Once the debt was paid, Finland tried to export her products to the free world. They were too expensive because Finland had been obliged to pay high wages and support costly social services to prevent the spread of communism. There was nothing

left for her but to become a regular and obedient supplier of the USSR.

FINLAND was not the only victim of this controlled trade. We should not forget the sudden blows which upset the Swedish economy in 1947 and 1948 following her too-extensive trade agreement with the USSR. Obligated to make important deliveries at a time when it was already expanding, the Swedish economy was subjected to inflationary pressures characterized by a rapid extension of credit and followed by a price rise sufficiently pronounced to bring with it a serious deterioration in Sweden's balance of payments. Sweden thus unexpectedly lost a good part of her monetary reserves. She then had to renounce her cheap money policy to remedy the situation. We might remember, too, the annoyances suffered by Denmark, Norway and Sweden as a consequence of interrupted deliveries from Czechoslovakia, Hungary and Poland.

Western industrialists would do well to keep these examples in mind and not commit themselves too far. A moderate expansion of trade with the East could be advantageous. By diversifying markets, it would make Europe less dependent on America and more able to stand on her own feet. But caution is necessary. The Kremlin does not offer something for nothing. With-

out doubt it is thinking of the pressures it will be able to exert once trade has increased. Moreover, the Kremlin apparently expects that, even before producing economic results, its trade-peace offensive will stir up divisions in the Allied camp. Divide and conquer. Would it be wise, therefore, to permit a significant expansion of trade with the East before the political situation has been somewhat stabilized?

STILL, it might be thought that trade could unite nations in a kind of solidarity, and to some extent appease their quarrels through economic inter-dependence. But this is to forget that Hitler's Germany expanded its foreign trade right up to the moment of military aggression. Trade is a token of peace only when, being perfectly free, it involves a significant division of labor on an international scale. Nothing of this kind can be expected with the Communist countries.

TO SUM UP: expansion of East-West trade seems to present certain immediate advantages, and both short- and long-range dangers.

Moreover, such trade is possible only to a very limited extent, insufficient to overcome Western Europe's dollar gap. Such a moderate expansion should, however, be utilized, and American rigidity should be relaxed to permit Europe to export eastwards the many products whose strategic importance is minimal.

This is why Europe becomes anxious when she hears that American authorities are urging a new reduction of trade with the East. President Eisenhower, for his part, was more realistic when he said that if America expects this sacrifice of Europe, America must also assure Europe the goods she now obtains from the East, as well as the means to make the dollars to pay for them. This strikes at the very core of American high tariff policy, and on this issue the people of the United States are so divided that Europeans can draw very little comfort from the President's statements.

Nevertheless, we in Europe have taken the slogan "trade not aid" very seriously, and we would be baffled to see the gold curtain lowered completely tomorrow, duplicating the iron curtain. ■



Make Your Own Change

A Searcy, Ark. bank set up a make-your-own-change jar containing fifteen dollars. Three months later, after many customers had fished the kitty for change, there was slightly more than the original fifteen dollars in the jar.

Admittedly a potent force in the future of educational techniques, television for the home and classroom is properly under more intense study than any other medium of mass communication



TV's Impact on Education

by Emmy Lou Numrich

GERALD was an intelligent six-year-old with a problem dating back to nursery school. He couldn't fix his attention for more than five minutes on any subject not allowing him vigorous use of his arms and legs. He was the despair of his former teachers and the topic of much discussion between his understanding mother and me.

It was, therefore, a distinctly pleasant shock to hear him brag to classmates on the playground that he had sat and watched a certain television program "for a whole

hour." Indeed an accomplishment for him! And what tremendous potential in the instrument able to grip such a restless youngster!

From personal observations like this spring glittering visions of what television might be used for someday.

The National Association of Secondary School Principals, a prudent body, heralds TV as "the most potentially significant communicative invention in the history of the world." Others taking the broadest view imagine our achieving, with the help of television, a super civilization and a vast throbbing neighborliness. They prophesy wider sharing of the arts and huge gains in technology, health and conven-

Emmy Lou Numrich here analyzes educational TV as a teacher who knows what it's like to ride herd on overflow classes of pre-adolescents.

iences. They see us untangling customs, philosophies and resentments, and attaining world peace with co-recognition and co-advancement for all.

Through these idealistic dreams the theme of "education" weaves intrinsically—so intrinsically and so broadly, in fact, as to lead to confusion over definitions. As of today, we are not sure where "educational television" begins and ends.

AN IMPRESSIVE variety of programs which most people would agree are educational radiates today from commercial stations. Some represent the efforts of school and university staff members, but many are the work of producers and performers paid by advertisers. A number of commercial stations have been generous with their time and facilities for educational use. It is hoped and expected that the truly mind-stimulating programs will increase in ratio to the number of formula-plotted comedy shows and bloodbaths on view. Educators, however, look further.

Their first concern is to apply aid to our overcrowded educational system of today.

The shortage of teachers is acutely affecting standards of instruction, particularly in the elementary and high schools. Those already in the field must cope with

overcrowded classrooms and a heavier teaching load than is "normal." Many school districts are trying desperately to solve their difficulties of too few instructors and too little space by cutting down on classroom hours and running half-day sessions.

Bearing in mind present needs as well as future opportunities, many educators want to wed television to the total structure of organized education—without weakening the basic personal relationship of teacher to pupil. With the scope that television presumably will give them, they anticipate pushing the range of organized education beyond anything known traditionally.

Teaching authorities who are thinking along these lines know they must look to their physical resources. For two big reasons they are not pinning their hopes on the use of commercial stations. Primarily they seek freedom of content-planning and time-scheduling. Secondly they want to be able to focus on specific interested listeners and not have to worry about titillating the largest possible audience.

According to Dr. David D. Henry, Executive Vice-Chancellor of New York University and a member of the Joint Committee on Educational Television: "Effective, sustained *televised education* for both children and adults . . . can only be

done through a non-commercial station."

More than two years ago, after hearings which produced a frothy blend of the visionary and the avowedly practical, the Federal Communications Commission set aside 209 television channels for non-commercial use. Later it designated thirty-six more to make a total of 245 channels—about 12 percent of the nation's present supply. It is intended that most of the people of the country be brought within range of at least one educational station using either a very high frequency or ultra high frequency band.

IN COMPARISON with advertising-powered TV, however, educational television is proving slow to get off the ground and into the air.

To date we find two non-commercial stations broadcasting, one at Houston and another at Los Angeles, each having begun during the past year. At the time of this writing, six more were reported on the verge of going on the air—at Denver, Detroit, Gainesville and Miami, Fla., Pittsburgh and St. Louis. Probably, before the end of 1954, at least fifteen more will be operating.

In four states, network pilot stations have been provided for as part of the school systems. In addition, eighty-six communities show well-advanced plans with some tar-

get dates fixed. This leaves 132 potential non-commercial stations barely thought about or not applied for.

A unique situation exists at Ames, Iowa. Here Iowa State College owns and operates WOI-TV as both a commercial and educational station. Along with offerings by advertisers it telecasts programs that fit in with local elementary, high school and college curricula.

Advocates press on, feeling that they have knocked over the biggest barriers. Originally they met aloofness from the FCC and some pooh-poohing or outright resistance from commercial interests. Today they get sympathetic cooperation from the Washington agency and more help than hindrance from station owners, advertisers and businessmen in general. They are attacking with vim the large and intricate problem of raising money.

This surely presents a test of ingenuity and endurance.

It costs a minimum of about 250,000 dollars to build a new station and install facilities for educational television. It requires another three-fifths of this sum to stay in business for one year.

At first educators sought out traditional, tax-based, sources of funds. In cities they turned to municipal authorities. In states they appealed to legislatures for support of state networks. But "legisla-

tures don't authorize millions for abstract ideas," says Dr. Henry.

By now we find a thoroughly mixed situation. The same basic requirements of cameras, dollies, switchboxes and floor space apply everywhere, but human efforts to organize and pay for educational TV around the country show marvelous diversity.

The FCC does not permit stations using channels reserved for education to sell time; many of them would not want to anyway. So, promoters of educational TV are endeavoring to tap a number of sources. These include regular school budgets, special funds voted by legislatures, gifts from foundations, private capital and mass public subscriptions and contributions.

It is hard to say as yet which counts most. Subscriptions and various corporate arrangements may carry most of the load until greater public demand arises.

IN THE work of gathering subscriptions, aggressive civic pride and good will have emerged in and around many urban hubs. The various boards of regents and college presidents have been joined in the struggle by museum and library officials, clergymen, union officers, clubwomen, clubmen, and businessmen big and small. Despite some popular indifference, brisk community action prevails, with no two communities behaving exactly alike.

State legislatures still exhibit hesitancy and resistance in the face of widely scattered appeals. Of the four which have authorized public funds for educational TV—Oklahoma, Alabama, Wisconsin and New Jersey—the latter two have voted only 5,000 dollars apiece. Of the twenty-seven other legislatures in which bills or resolutions have been presented, some have set up committees for preliminary study.

KUHT of the University of Houston became the first non-commercial station to broadcast (May 1953) largely with the financial help of Hugh Roy Cullen, prominent oilman. Directed by the faculty and staffed in part by student trainees, it has been on the air forty hours weekly with programs for both students and the community generally. This past fall semester it offered eight courses for credit toward degrees: biology, music appreciation, humanities, photography, class piano, psychology, soil and pasture management, and dairying and dairy herd management.

As KUHT expands its fare in the next few years, it is estimated that the University will save some ten millions of dollars in building expenses.

Los Angeles' KTHE began in late November with the backing of the Hancock Foundation. Based at the University of Southern Cali-

fornia and boasting an advisory board of more than forty persons of varied affiliations, it has been broadcasting to the community at large for two and a half hours an evening, seven evenings a week, with mixed cultural offerings led in popularity by Dr. Frank Baxter's discussions of Shakespeare and his works. KTHE will soon be on the air forty hours a week.

Of the collaboration among groups in Los Angeles and other communities, no aspect is more significant than the way educators themselves have been getting together. For the first time on such a scale, representatives of elementary schools, high schools and colleges have joined in a common effort. And to a new extent, the public school system people are working with the private and church school authorities.

In the meantime, the many educational programs going out over *commercial* stations will continue to be important.

At least fifty communities across the nation receive programs over these stations which are produced by local school or college people and cultural groups. Some cities get them over more than one station.

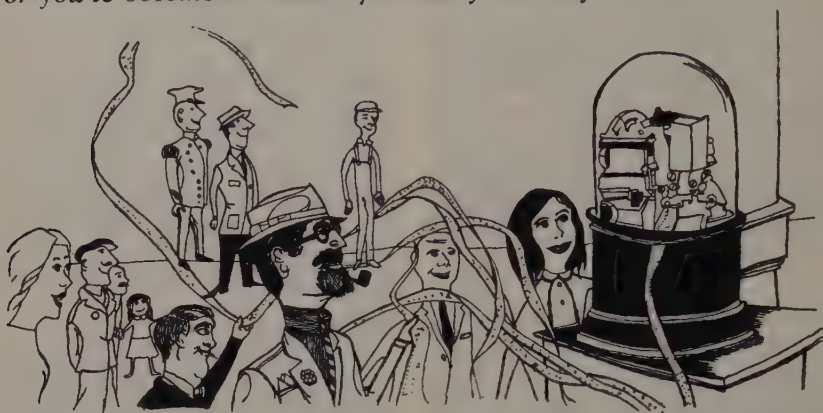
In pointing toward the day when educational TV will take its full part, educators remember to laud the contribution of some commercial network programs which are not only providing informative en-

tertainment in their own right but are opening the eyes of the public to the possibilities of the medium. The value of programs like the Johns Hopkins University *Science Review*, the Alfred P. Sloan Foundation's *American Inventory*, presented in cooperation with NBC, and the Ford Foundation's *Omnibus* over CBS will go on no matter how extensive TV-education over non-commercial stations may become.

Within the range of human experience it is a substantiated fact that the quickest and most lasting impression upon the brain is made through the eyes. In this regard, television is the most versatile medium of communication. That educators the world over have recognized the pedagogic value of the medium is not so much a tribute to their acumen as it is to their sincere preoccupation with their profession. TV can bring experience of global extent within the grasp of all ages and levels of students, enabling young and old to see and hear and recognize a range of information and knowledge never before demonstrated with such convenience and facility.

Through the electronic device of educational TV, children like Gerald who find it hard to sit still, and their older counterparts, may soon gain knowledge and wisdom that will help to shape the utility and stability of the life before them. ■

The New York Stock Exchange's new plan makes it possible for you to become an owner of industry—in easy installments



How to Become a Capitalist

by Sam Shulsky

THE GENIUS of America—which has given the average worker the highest living standards in the world—has now made it possible for the average worker to own a share of the productive system which makes possible those high living standards.

With an investment of as little as forty dollars every three months, the wage earner may now acquire on a periodic, invest-as-you-go basis shares in any of the 1,100 companies listed on the New York Stock Exchange.

The plan is easily the most far-reaching innovation of the Stock Exchange since its founding in 1792, when twenty-four brokers

first met under a buttonwood tree on Wall Street to facilitate the Government's debt financing by creating a market for its bonds.

Most certainly, this step opens a new era in the history of personal finance, for it wipes out the old traditions that securities investments are reserved only for those with substantial wealth, and consequently that capitalists and workers are members of two mutually exclusive classes.

A capitalist is one who puts his savings to work. Under the Stock Exchange's plan, any worker can

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invest as little as forty dollars every month, or every three months, on exactly the same basis that a wealthier investor can put four thousand or forty thousand dollars to work—in shares of leading American corporations.

THE American worker has always been a good saver. For the last fifteen years, millions of wage earners have been buying Series E U.S. Savings Bonds regularly—through payroll deductions or at their banks. While the habit of systematic saving this has induced is commendable, the E Bond holder for all his security, remains a *creditor* of the Federal Government. He is not an *owner* of the American enterprise system. He remains an investor in *dollars*—exactly the same kind of dollars he has accumulated in his savings account. Both these funds are dependable anchors in a period of stability, or in times of deflation when there is an increase in the purchasing power of the dollar. But neither gives him any protection from inflation—a cheapening of the dollar.

The Stock Exchange plan provides the average prudent saver with the opportunity to maintain his position in either eventuality. His dollars in the savings bank and in his E Bonds will bolster his investment position if the dollar climbs back anywhere to 1939 levels. The stock investment, on the

other hand, can be expected to compensate both in value and in yield for any further deterioration of the dollar. For while the dollar may cheapen, the value of the investment does not, and the returns are paid accordingly in more dollars to make up the difference.

HERE is the way the investment plan works.

A saver may arrange with his broker to deposit as little as forty dollars regularly toward the purchase of any stock listed on the Exchange. Assume that an investor wants to put in fifty dollars per quarter—or two hundred dollars a year. Let us say he wants to begin by acquiring Erie Railroad stock, selling at eighteen dollars a share. His first fifty-dollar payment gets him exactly 2.6206 shares of Erie. That means exactly 47.2708 of his fifty dollars have been put into securities; the balance, 2.7292 dollars, represents commissions at the rate of slightly less than 6 percent—the customary commission rates of the Exchange for purchases of less than a hundred dollars, with no extra charge or fees for the four-decimal place computations these periodic purchases require.

If our fifty-dollars-per-quarter investor wants to put his payments into a 180-dollar stock, the procedure is no different. On his first payment, he is credited with 0.2621 of this higher-priced share.

As a matter of fact, he can accumulate both stocks on a regular basis—putting his periodic purchases alternately into one issue and then the other.

AS IN the actual purchasing, income from dividends is also reckoned on a four-decimal place system. If the investor buys his shares in time to receive a dividend, he receives 2.6206 of the eighteen-dollar stock dividend, or 0.2621 of the 180-dollar stock dividend. Dividends are re-invested in the same stock, or remitted to the investor, as he chooses. The stock certificates are held by the broker, in the investor's account, until the end of the first year or until fifty shares are acquired, whichever occurs first. Annual reports, proxies and voting rights, though, go to the investor from the start.

There is no compulsion in the program, such as is sometimes inherent in other investment programs. An investor suffers no loss if he fails to make a regular payment; he merely does not acquire any shares that month. However, omitting four purchases in a row is generally considered by the broker as indicating the investor no longer wishes to continue the plan.

WHERE enough workers in a company are interested, and the employer is willing, the Exchange member firms stand ready to or-

ganize a payroll deduction program. On this basis, deductions of as low as four dollars a week will be made, the resulting lump sum to be invested on a quarterly basis.

The investor may switch from one security to another at will or terminate the plan entirely at any time at no cost or penalty, either selling out his stock or continuing to hold it. In the latter case he will merely be sent the certificates for his whole shares. If he still holds a fractional share, he may either sell it or round it out to a full share by buying another fraction. Either transaction is free of commission charge.

So much for the mechanics.

THE Exchange's plan is really more than just another form of retail, pay-as-you-go selling. An entirely new philosophy of stock ownership is implied, as far removed from the flood of small investors which poured into the stock market following World War I as is the race track crowd from the line of people at the savings bank window.

In the first place, the invest-as-you-go program negates entirely the attitude that stock certificates are just another form of poker chip by which you double your money if you are lucky and lose all if you are not. It is the very antithesis of the get-rich-quick schemes which annually play small investors for suckers. By the very regularity of

its small-sum payments, the Exchange's newest plan offers share ownership as part of a *regular* savings plan. The investor buys on the first, fifteenth or on any convenient day of the month or period he selects. He sends in his payment because he will have received a notice a few days previous saying that it is now due. He buys, in other words, because this payment, like all the others, is a part of a regular plan, not because he got a "hot tip" or because a sudden speculative flurry in the market convinced him now is the time to draw out all his savings and plunge them into XYZ Gold Mines.

Secondly, he is under no pressure to sell if the market should break, for there is no margin money in his account. He owes no one anything for his stock. The shares in his name are entirely his property with no mortgage against them. (In this respect, the term "installment plan" is not applicable. Installment purchase implies getting something first and paying for it later. Under the invest-as-you-go program, stock is acquired only as it is paid for.)

And thirdly, whether he is conscious of it or not, he is taking advantage of the classic "dollar averaging" formula, which is used, as well, by wealthy institutions with millions to invest.

"**D**OLLAR averaging" is merely an-

other way of saying the investor buys stock *by the dollar's worth* rather than by the share. In recent years the new-type gasoline pump, with its built-in dollar-and-cents computer, has encouraged the buying of gasoline the same way. Instead of asking for seven gallons at 31.4 cents each, we now ask for three dollars' worth of gas and save the nuisance of waiting for change, (as well as getting our gas slightly cheaper over the long run).

In securities buying, dollar averaging means that instead of buying ten, fifty or one hundred shares of a security, the investor buys fifty dollars' worth, or five hundred dollars' worth. The financial significance of this approach is two-fold:

(1) An investor who has decided he will buy one hundred dollars' worth of a twenty-dollar stock every month is not likely to be stampered into buying fifty shares of it when a temporary flurry has hiked the price to twenty-five dollars, and discouraged from buying any when the price temporarily has sunk to ten dollars. These are traditionally the actions of the small man in the market when left to his own devices.

(2) By buying dollars' worth on a regular basis he is bound to arrive at an average cost lower than the average of the market prices at the times his purchases were made. Assume, for the sake of an

example, the exaggerated price changes in a stock from thirty dollars on March 1, to twenty dollars on April 1, to ten dollars on May 1. Then, ten dollars again on June 1, recovering to twenty dollars July 1 and thirty dollars August 1. Arithmetically the average price of this stock over the six-month period is twenty dollars. An investor buying twenty shares on each date would thus acquire 120 shares for 2,400 dollars. But if he had "dollar averaged" by buying four hundred dollars' worth on every purchase date, he would have acquired a total of 146 $\frac{2}{3}$ shares for his 2,400 dollars, an average price of \$16.36. Or, putting it another way, the four-hundred-dollars'-worth-a-month plan would have got him 26 $\frac{2}{3}$ shares more at no extra cost.

THE first intensive study of stock ownership in this country, more than a year ago, revealed that despite all the talk about the obvious

value of wide public ownership of industry, only about 6.5 million persons directly owned securities—or about 5 percent of our population.

The American free enterprise system deserves better support and more confidence than this.

When the new periodic investment program was introduced, the Exchange's president, G. Keith Funston, declared that "public ownership of the nation's plants and industrial machinery is one of the most powerful ideas of our time. It is an idea with the power to combat and kill the worldwide virus of communism, the power to keep our country strong and free, the power to give our people an unending supply of the good things of life and the leisure to enjoy them."

The invest-as-you-go plan may well be the technique by which this powerful idea—wide public ownership of our capitalist system—ultimately will be achieved. ■

Number, Please

With the number of telephones in the world climbing to a record-breaking eighty-four million at the beginning of 1953, the world now has twice as many telephones as it did at the outbreak of World War II.

This information, which takes almost a year to collect from some two hundred countries, was published recently by the American Telephone and Telegraph Company, in its annual survey, "Telephone Statistics of the World."

As in the past, the United States led all other countries in the number of telephones with more than forty-eight million at the beginning of 1953 (the fifty-million mark was reached in November). Great Britain was second with nearly six million phones. Among the areas having no commercial telephones are Greenland, where four-fifths of the area is ice-capped, and the tiny island of Pitcairn in the Pacific Ocean, which is still inhabited by descendants of the *Bounty* mutineers.

A striking similarity suggests speculation about what might happen to the earth as nuclear bombs become more powerful

Exploding Stars and Atom Bombs

by Morrison Colladay



ACCORDING to the astronomers, stars explode quite frequently. They don't know why. However, they wonder whether there is any difference between an exploding star and an exploding atomic bomb, except in the size of the explosion.

If there isn't, what are the chances that some day an exploding atomic bomb will start a chain reaction in the earth's atmosphere and oceans, transforming the planet in a fraction of a second into a mass of radiant gas? No one knows the answer to that question.

More and more powerful bombs are constantly being made. The hy-

drogen bomb will have no upper limit in size or destructive power.

Down through the centuries, men who watched the skies every so often saw a star suddenly blaze out millions of times brighter than it had been before. They speculated on what had happened. The usual guess was that two suns, rushing through space, had collided and been converted into radiant gas.

This was not a very good theory for several reasons. The stars are so distant from one another that the chances against any two colliding are billions to one. Yet in our own insignificant universe, one of the countless numbers the telescope reveals, astronomers see several stars explode each year. There are

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probably others not seen because they are hidden behind the dust clouds that obscure vast stretches of the Milky Way.

What other explanation is possible?

To answer that question we must go back to 1938, when two scientists, Otto Hahn and E. Strassman, succeeded in splitting uranium atoms by bombarding them with the atomic particles known as neutrons. The energy of the neutrons that did the job amounted to only one-thirtieth of a volt. The uranium split into two other elements, krypton and barium; but the important thing about the experiment was that in splitting, the uranium atoms released six million times as much energy as was required to split them.

These experiments made possible the atomic bomb. They also provided a new theory of what happens when a star explodes.

IT WAS after the destruction of Hiroshima and Nagasaki that an uneasy suspicion gained ground among the public that men were fooling with something that might blow up the earth.

Suppose a bomb started a chain reaction that didn't stop as it was intended to—after it had split the atoms composing the bomb itself. Suppose it got out of control?

There was a suddenly awakened interest in exploding stars—*novae*,

astronomers call them. What sets them off? What do we know about them? Not very much, astronomers were compelled to admit.

EARLY in the morning of February 9, 1946, Armin J. Deutsch, assistant at the Yerkes Observatory, was watching the sky without a telescope when suddenly he saw a star flame out where there had been none before. That is how one of the latest novae was discovered. It had been a tenth magnitude star invisible to the naked eye, designated by astronomers as *t* in the constellation Corona Borealis, which is roughly six thousand trillion miles from earth. Since light travels 186,300 miles a second, Armin Deutsch on February 9, 1946 was watching an explosion that actually had taken place about one thousand years before.

Observations with the spectroscope showed that at the moment *t*Coronae Borealis exploded, it began to expand at the rate of 2,500 miles a second. It was not a great nova as exploding stars go, but it was unusually interesting because it had exploded once before in the same way, in 1866. After shining brightly for awhile in that year, it had faded gradually and then became a tenth magnitude star—until it blazed up again in 1946.

THERE have not been many recurring novae, at least not many recog-

nized as such, though one called *tPyxidis* burst out for the fourth time in 1943. Usually what is left after a nova subsides is a small, very dense star of the kind known as white dwarf. A cubic inch of matter from one white dwarf studied by Dr. G. P. Kuiper of the University of Chicago would weigh nine thousand tons. The only explanation astronomers can suggest for densities like this is that such stars are composed of compact masses of the nuclei of broken-down atoms.

Ordinary novae occur quite frequently, but there are also *supernovae* which are something else again. An ordinary nova is usually about ten thousand times as bright as the sun. A supernova may be 100 million times as bright. According to most authorities, there have been only three supernovae in our galaxy in historic times.

What is known as the Crab nebula marks the place of one supernova. Not long ago a small white dwarf star was discovered in the nebula, presumably the remains of the great star that originally exploded. "Studies of the Crab nebula, a mass of dust and gas which is expanding eight hundred miles every second," says Dr. Rudolph Minkowski of the Mount Wilson Observatory, "show that it began to explode at the same time as the appearance in the year 1054 of the supernova recorded by the Chinese

and Japanese. The star shone ten times brighter than the moon and was visible for a full month in the daytime sky. It was visible to the naked eye for nearly two years after its spectacular outburst, and was one of the three supernovae that have appeared in the Milky Way during the last thousand years. The others were Tycho's star in 1572 and Kepler's nova of 1604."

We have Tycho Brahe's own account of the supernova now called by his name. He wrote in 1572: "Raising my eyes as usual during one of my walks, I observed with indescribable astonishment near the zenith in Cassiopeia a radiant star of a magnitude never seen before. In my amazement I doubted the evidence of my senses. However, to convince myself that it was no illusion and to have the testimony of others, I summoned my assistants from the observatory and inquired of them and of all the country people that passed if they also saw the star that had thus suddenly burst forth." Tycho's star was visible at noon, lasted sixteen months and then faded.

UNTIL recently scientists could not advance a reasonable theory to explain how a star—our own sun, for example—could continue for millions of years to give out light and heat. Then atomic energy supplied a possible answer.

We now know how to release a

trifling fraction of the energy locked up in the nuclei of two or three of the heavier elements, thus transmuting them into elements not so heavy. The contrary process—fusion of nuclei of a light element like hydrogen into a heavier one such as helium—would release vastly greater energy. This we now believe is the process that goes on in the sun and stars. It is also the principle of the hydrogen bomb.

Professor H. A. Bethe of Cornell University tells us that in the sun six successive reactions are constantly going on between the nuclei of carbon, nitrogen and hydrogen atoms. Each series takes quite a long time to complete and results in the production of helium and also all the light and heat we get from the sun.

Dr. Bethe believes there is enough hydrogen in the sun for this process to continue at the present rate for twelve billion years. Other physicists think it may last as long as fifty billion years unless some unknown factor should cause the sun to explode into a nova.

We have no idea of what interrupts the orderly fusion process, like that going on in the sun today, and makes a star suddenly explode like a vast atomic bomb. All we can say is that under certain conditions something acts as a trigger and part or much of its mass is instantly converted into radiant energy. Most of the mass of the pres-

ent white dwarf in the Crab nebula was involved when it exploded. In the case of a recurring nova such as *t*Coronae Borealis, it seems that only its surface substance is converted into energy, because it subsides after an explosion and so remains until the unknown factor precipitates another explosion.

UNTIL very recently, few scientists were convinced that we could duplicate on the earth the fusion process which in the sun and other stars provides light and heat. The hydrogen bomb gave us a practical incentive to attempt to duplicate this process. The problem was to fuse heavy hydrogen nuclei into helium by exploding an atomic bomb to bring about the high temperature necessary for such a process. With atomic bombs growing more powerful each year, it became possible to get a temperature of at least 150 million degrees Centigrade for about one-millionth of a second—long enough to start the fusion.

There has been considerable misgiving about the sequence of events after an explosion of the first hydrogen bomb. Dr. Samuel G. Lind of the University of Minnesota's Institute of Technology speculated on what might happen in the following terms: "A chain reaction of the fusion type, freeing surplus energy by uniting nuclei of small atoms, will be much more danger-

ous than nuclear fission because it would involve the lighter, more abundant elements and therefore would be much more difficult to control. In fact, with the development of such a chain reaction, all our perplexities might be ended."

What Dr. Lind was suggesting is that the result of a hydrogen bomb explosion might be a brilliant new star in the sky—our planet's surface and everything on it being converted into radiant energy.

Just one year ago nuclear physicists testified before the Joint Committee on Atomic Energy that "we are on the way" to a hydrogen bomb. In other words, we had fused hydrogen atoms and thus created a *thermo-nuclear explosion*; but we still had no absolute hydrogen bomb.

Now all doubt has been removed that we already have hydrogen bombs in being, "in the ranges of millions of tons of TNT equivalent," as President Eisenhower revealed in his speech before the

United Nations General Assembly last December.

There can be no doubt now that at least one hydrogen bomb of vast power has already been exploded. The feared chain reaction that Dr. Lind suggested as a possibility has not materialized.

It is possible that such man-produced thermo-nuclear explosions will never reach the intensity which can disrupt the processes of nature to the point where the earth's surface or crust can be fired into dissolution. Perhaps what man has achieved with the hydrogen bomb today, or what he can achieve with it in the future, even though the possibilities stagger our imaginations now, is so insignificant next to the power of nature that we may never make an exploding star out of our planet. But the process by which a star explodes is well enough understood to suggest that we are still flirting with things which belong to a range of knowledge far beyond our present grasp. ■

Is Garbage on the Way Out?

Refuse collectors say garbage is dying out and has been for twenty-five years. Mixed refuse used to be 65 percent garbage, 35 percent rubbish. Now the mix is 50-50, and much easier to burn.

Increases in home refrigeration, canned and frozen foods and kitchen garbage disposers account for the garbage slump. But because you throw away more wrappings, packages and all kinds of paper, rubbish is booming. There is more yard litter, too, a by-product of the spread of home ownership.

So someday you may throw out the garbage can with the rubbish. But better hang on to that wastebasket—or get a bigger one.

—*Changing Times*

*Our farm price dilemma, and what it
costs to keep it from getting worse*

SURPLUS, SUBSIDY AND SUPPORT

ONE OF the most controversial problems Congress has to grapple with during this session is the farmer and what to do about his shrinking income. And while the debate rages over "high" versus "low" price supports, production and marketing allotments, etc., most of us who are not farmers will be wondering where we come in.

The answer to that question leads us to Chicago where an agency of the federal government annually loses millions of dollars helping the farmer maintain prices at levels which Congress feels are "reasonable." The name of this agency is the Commodity Credit Corporation. It seldom makes the headlines, but as of September 30, 1953, the agency had invested \$4,053,142,000 of the taxpayer's money since 1942 in "price-support loans and inventories," and many farm experts expect that figure to zoom to nearly six billion dollars before next year's harvest is in. In other words, almost 3 percent of this year's budget will be spent to support the farmers financially—

about two billion dollars which many agricultural economists (including Secretary of Agriculture Ezra T. Benson) believe helps aggravate some of the very ills it is supposed to cure.

JUST HOW is this money spent and what is it supposed to achieve?

Let's begin with the first and less controversial question. The CCC, as the Commodity Credit Corporation is called, was created by the late President Roosevelt as an emergency depression measure under the Agricultural Adjustment Act of 1933. Those were the days when the farmer thought himself lucky if he could sell his hogs for six cents a pound or his wheat for sixty cents a bushel. Even so, the CCC was not authorized to buy the farmer's crops and thus guarantee him a "fair" return on his products; all it did was to pay him to cut production and hope that reduced supplies would force farm prices upward.

At first the CCC was forced to resort to such drastic measures as

the plowing under of cotton and "the killing of little pigs," as the emergency hog-slaughter program was derisively referred to. Production allotments were assigned to cooperating farmers who would receive cash payments as a reward for compliance. This program undoubtedly helped cut production, but many farm economists still believe that had it not been for the drought and the war these measures would have been insufficient to assure the farmer a "fair" return on his products.

In 1939, in a highly significant move, the CCC was transferred from the Reconstruction Finance Corporation to the Department of Agriculture. This move signaled an important switch in the objectives of government regulation in agriculture. Hitherto, the aim of government legislation had been to *limit* production in order to stabilize prices. Such cash compensation as the farmer received just covered his losses on the acreage he did not use; it did not guarantee him a profit.

WITH THE outbreak of World War II in Europe, the whole picture changed. The emphasis was on *increasing* production to meet the food needs of our Allies. The Steagall Amendment of 1941, enacted as part of a law extending the life of the CCC, marked our first experiment in price-support legisla-

tion. To induce the farmer to produce more, these "Steagall price supports," unlike the old subsistence guarantees, covered production costs *plus* a considerable profit for the farmer.

The response to these inducements was so sensational that by early 1946 farm leaders were once again faced with the old problem of overproduction and the danger of a general price decline. In five years (1940 to 1945) the value of our gross national farm product had skyrocketed from \$7,094,000,-000 to \$16,828,000,000—which, even if we take into account a 25 percent decline in the dollar's purchasing power due to wartime inflation, means that farm output was more than doubled.

The end of the war saw the farmer more secure economically than he had ever been before and determined to keep it that way. His net cash income from farming had more than tripled in five years while his mortgage debt had been reduced from \$6,586,399,000 to \$4,932,942,000. A sudden withdrawal of government price supports at a time when our overseas customers were finding it increasingly difficult to meet their payments would have resulted in a disastrous price decline. It was to avoid such a catastrophe that the Steagall Amendment was extended until 1948.

By 1948 it had become clear to

all concerned that the supply of agricultural products had finally caught up with the demand. How to maintain prices and at the same time increase sales now became the primary concern of agricultural experts.

The Agricultural Acts of 1948 and 1949, on which most of our current price legislation is based, sought to achieve such an economic miracle. Under it, the CCC was established as a permanent, independent agency of the federal government, with authority to borrow

up to \$6,750,000,000—farm experts feel this sum may be exhausted by 1955—to carry out its programs.

WHAT ARE these programs, and how do they affect the farmer and the consumer? Even more important, how do they affect our total wealth?

The most important and also the most controversial program involves price supports. Prices of the six "basic" commodities—corn, wheat, rice, tobacco, cotton and peanuts—must be supported at 90

As Others See Us

American agricultural policy has come under the scrutiny of British analysis.

According to *The Economist* of London: "To the Republican politicians Mr. Benson is obviously the Administration's greatest liability." *The Economist* concedes that the Secretary of Agriculture may be right in opposing a price support system that piles up surplus commodities which the rest of the world cannot afford to buy. But the political repercussions can result in losing control of Congress. Next November eight Republican Senators are up for re-election from agricultural states; also ten Republican Representatives from farm areas, who won by a mere 5 percent or less in the last election. The fear of losing Congressional control will probably result in "a farm programme more 'socialist' than any a Democratic Administration would dare recommend."

The Economist fears the effects on the rest of the free world should this Congress attempt to bolster the agricultural price drop by using the foreign aid program as a dumping ground for surpluses. "Economy is necessary; so are high farm price supports (in which, during the twelve months to June 1953, the Government invested 2.8 billion dollars, nearly three times the amount tied up in the previous twelve months). Consequently, it seems a very simple remedy to make all grants of foreign economic assistance conditional on the basis of surplus commodities, thus killing two birds with one stone, whatever the effect on the health of world trade."

The one fact left unstated is that the American farmer would still lose out since world agricultural prices are lower than the American. Someone will have to make up the difference—probably the American taxpayer. This is where we came in.

percent of parity. What does this mean? Quite simply, it means that the government undertakes to pay the farmer in return for these six basic products a price that will enable him to buy 90 percent of what he would have been able to buy in the period 1910-1914. Other "non-basic" commodities such as oats, rye, barley, etc. may, at the discretion of the Secretary of Agriculture, also be supported at levels above the current market value. In either case, the actual cash return the farmer receives will rise or fall according to his cost of living.

BUT WHY pick on this rather arbitrary way of assuring the farmer of a "fair" return? Besides, what is a "fair" return? The period 1910-14 was a fairly prosperous one for farmers, but why assume that prices based on purchasing power forty years ago are "fairer" than prices in 1954?

The answer is extremely complicated, but certain basic facts stand out. Probably the most important of these is our productive capacity. While our population has increased by only 18 percent in the past twenty years, food production has jumped over 50 percent for the same period. In order to make up for this increased output, each one of us would have to loosen his belt and eat at least one-third more just to stabilize prices. That is what Secretary of Agriculture Benson

meant when he recently remarked that the American people can "eat themselves out of the farm problem."

But the problem is further complicated by the fact that while farm receipts have declined, the price of almost everything the farmer must buy has skyrocketed. It was to save the farmer from this two-way price squeeze that Congress created the CCC and fixed price-support levels. Yet, even with price supports, the farmer's purchasing power is the lowest it has been since 1941, and the reason, many farm economists believe, is that the supports encourage the farmer to overproduce by assuring him a "fair" return no matter what free market conditions are. Tying acreage and marketing quotas to price-support loans (for instance in wheat) is one way of preventing this, but farmers don't like the idea of idle, unproductive land on their hands.

Closely related to price supports is the CCC purchasing program. The CCC is authorized to buy up portions of certain farm products such as potatoes, eggs, butter etc. at not more than 90 percent of parity. Unlike the price-support loans, these purchases take the form of direct cash payments, and there is no limit on how much the farmer may produce.

The result of such programs has been to encourage the farmer to

overproduce. Take the case of butter. In a single year, beginning in November 1952, the CCC bought 240 million dollars worth of butter at 90 percent of parity. After 84 million pounds had been sold to the Army and various relief and welfare organizations at about one-fourth of what the CCC had paid for it, there were still 250 million pounds spoiling in the warehouses. And there is no end in sight; for while butter production keeps rising, per capita consumption since the late 1930s has been cut almost in half. Yet the retail price of butter is almost twice that of margarine. But as long as the government guarantees to buy butter at a higher level than the consumer apparently is willing to pay, the dairy farmer sees no need to cut prices or limit production.

THIS IS the dilemma in all price-support and surplus purchasing programs. On the one hand, there is no question but that all such artificial price fixing, by keeping the price of bread, butter, etc. high, causes our consumption of farm products to expand much more slowly than it would otherwise. On the other hand, and this is the big argument in favor of continued high supports, without such supports the farmer would—at least in the immediate future—be forced to sell less and at lower prices. And that could mean a disastrous drop

in farm income.

By seeking to prevent this from happening, the CCC has to borrow from Peter to pay Paul. To maintain the incomes of some six million American farm families, it must borrow not only from the taxpayer for the loans it extends to the farmer, but also indirectly from the housewife whose food bills are kept high. In other words, Congress has said in effect through CCC that the prosperity of the farmer is so important that the rest of us must sacrifice some of our economic well-being to maintain it.

There is something to be said for this point of view. Our whole economy *does* stand to lose when farm income drops, for the farmer is an important consumer of our national output. While total farm income amounts to only 6 percent of our national income, the farmer accounts for 14.2 percent of all retail purchases and 11.4 percent of each dollar put into business structures and machinery. If the farmer's purchasing power declines, that means manufacturers, business people and workers will suffer. The farmer's welfare, therefore, affects everyone.

BUT THAT does not mean, as the farmer's powerful friends in Congress seem to suggest, that the gyrations of the CCC make economic—as distinguished from political—sense. The farm problem in

America, many agricultural economists believe, stems from the fact that farming has become a modern industry almost overnight, requiring large capital outlays in machinery and manpower to be competitively successful. In the last thirty years the number of farms has declined 20 percent and, what is even more significant, the decline has been all in the small farms. Farms of 180 acres or less have fallen 30 percent while those of 500 acres or more have risen 40 percent. Greater efficiency makes the difference.

Price supports, say these experts, have soft-pedalled this revolution by protecting the small and more inefficient farmer. As a result, not only the farmer, but the national welfare generally has suffered. At present, 14 percent of all farms produce more than half of all farm products marketed. They earn 52 percent of all farm revenues from only 45 percent of the land. These farms can apparently operate profitably without price props. It is the remaining 86 percent of our farms, representing a sizeable majority of our farm population, that must go through a period of readjustment, be sup-

ported, or go broke. By protecting the small, surplus farmer, some experts believe, CCC is only postponing the inevitable at Uncle Sam's expense.

AS A RESULT of the numerical voting strength of the American farmer, which CCC in a sense helps to perpetuate, price supports will probably stay with us for some time to come. Even Secretary of Agriculture Benson, an outright foe of price supports, does not propose abandoning them. Instead, he would prefer to allow some commodities to sink to the world level. The farmer would still receive 90 percent parity on most of his output at home, but he would have to take the world price on exports. In this way, foreign markets would at least take some of the surplus load off Uncle Sam's fiscal shoulders. It is doubtful that the farmer will go along with this plan, particularly if his income continues to drop.

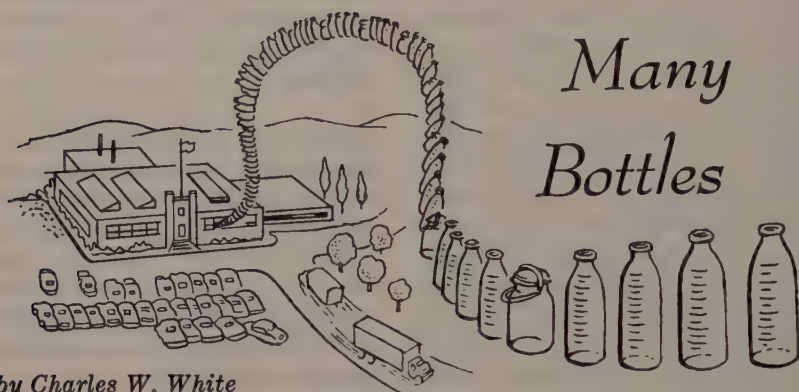
But whether this plan is adopted or not one thing is clear. Price supports, in one form or another are here to stay. It seems that economically we cannot do without them, and politically we cannot do without them. ■



Replacement Pool Assured

Each year about two million young people in the United States become available for employment, while roughly one and a half million workers die or retire because of age or disability.

To Raise a Business —



Many Bottles

by Charles W. White

Sixty-eight years of growth and diversification have carried Ball Brothers Company from Mason jars to Hygeia baby bottles —setting a classic pattern for modern business behavior

NOT LONG ago Ball Brothers Company, pioneers in the glass container business and known to housewives the world over as makers of Mason (screw-the-lid-on) fruit jars, made an announcement that tickled nostalgic fancies of U. S. economic historians.

The Muncie, Ind., corporation—a giant in its field, with sales estimated at fifty million dollars a year in glass and related fields—announced purchase of the Hygeia baby bottle business of Buffalo, N. Y., as of October 31, 1953. This brought Ball Brothers back to the Lake Erie town in which it had started in 1878.

It also highlighted a diversifica-

tion trend in American industry that is moving more than one elderly and rheumatic concern to sit up and take nourishment like Hygeia's babies.

Ulysses S. Grant's presidential term had just ended when Frank C. and Edmund B. Ball, then in their early twenties, first came to Buffalo. After a couple of false starts in business, the Ball brothers finally got underway with a borrowed two hundred dollars making wood-encased tin cans for shipping paints and oil. By varnishing the

Charles W. White, a resident of Muncie, Ind., reports regularly on business and governmental developments for several leading publications.

jackets of their containers and adding a spout, they provided a handsome pouring can for a new fuel known as *coal oil* with which housewives of the day were highly delighted. Business got so good that three other brothers—Lucius, William and George—joined the firm.

Along about 1882, Ball salesmen came in with reports that housewives were going for a new type of container made of glass. Ball Brothers immediately began making glass covers for their cans, then entire containers. They set up their first hand-fired furnace in East Buffalo.

It was home canning that gave Ball Brothers their big push. In 1865 a Brooklyn tinsmith by the name of John Mason had obtained patents on a glass jar with a screw-thread top and tin cap which would screw down over a rubber gasket, completing an air-tight seal. By 1885 the Mason patents expired, and Ball Brothers was soon on its way with Ball Mason jars.

A fire hit the thriving glass works in 1886, but some Chamber of Commerce promoters down in Muncie offered the Ball boys five thousand dollars in cash, and land for a new site. The company moved bag and baggage. Soon it was boasting production of as many as 1,500 fruit jars daily in eight Muncie shops where furnaces were hand-fired and glassblowers still used ancient blow pipes. Frank C. Ball,

however, believed in machinery.

He doubled production by inventing a glass pressing and blowing machine. New furnaces were introduced. The brothers' head start in the industry kept them on top. They began to buy other plants, and in 1912 moved an entire zinc mill from Kansas to roll strips for fruit-jar tops.

BY THE early 1920s the Ball boys, who could handle all phases of their business themselves and knew nearly every employee by his first name, were established American capitalists. They endowed schools and hospitals and gave millions to philanthropies.

But companies, like people, have a way of getting old. All the brothers except George were gone by the end of World War II. He was ninety-one last November, still active, but preoccupied with financial and charity matters beyond the sprawling glass business. Ball plants were beginning to look a bit down at the tanks. Housewives were using about as many glass containers as before, but competition was getting tougher. Could anyone wake up this sleeping giant of Muncie?

The first thing was to get rid of the exclusive family operation concept and bring in trained corporation managers who could cut costs, step up sales, modernize plants, handle labor relations, streamline

accounting methods. Edmund F. Ball, son of "Old Ed," became president in 1948 as Uncle George stepped up and aside to chairmanship of the board. In 1950, Duncan C. Menzies, Canadian-born management and marketing expert was brought in as executive vice-president; he had learned corporate management from Johnson & Johnson. Together, Ball and Menzies enlisted a task force of specialist VPs, and paid top salaries with other inducements. The Ball terrain was divided into regional and product divisions that could be controlled smoothly.

Market research disclosed room for more product diversification—new lines that Ball could develop. In March 1953, they bought control of Kent Plastics Corporation, Evansville, Ind., a small outfit making plastic name-plates for automobiles. A few months later, Ball bought out a Chicago metal cap factory, adding stamping machinery for new metal products. The Hygeia baby-bottle acquisition was marked by the announcement that Ball Brothers would now have a separate Consumer Products Division to serve the drug and cosmetics trades.

ALL THIS may be seen as a process of adjusting to changes in consumer demands and developing products that would help to level seasonal peaks and valleys. The

streamlined Ball concern provides an almost classic example of how this can be done.

Edmund Ball says his main business in life is "just making glass." He has gone about modernizing his glass factories. Two electronically controlled furnaces at Muncie, costing about half a million dollars each, made necessary the elevation of a whole factory roof. Factory modernization is expected to cost more than two million dollars by the end of 1954. It takes large sums of money, time and considerable nerve, as well as soul-searching to convert a logy old family business into a diversified modern corporation.

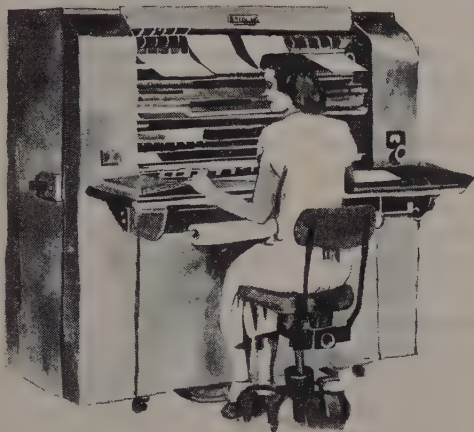
Has it been worth it?

For the first half of 1953, Ball Brothers reported sales 30 percent higher than in 1952 in seventeen product classifications, compared with a 9.2 percent increase for the industry generally. Moreover, there's a new spirit about the whole Ball operation.

"The company has been hiring, we've just signed a wage increase, and our union has a lot more members than last year," says Louise Keene at the CIO Glassworker's Union headquarters in Muncie.

Leon Parkinson, managing editor of the *Muncie Press*, agrees that diversification can be good for a community as well as an industry. "Young Ed Ball," he said recently, "has been doing a real job." ■

The industrialization of office routine promises a revolution as thorough as the change in factory work



Paper-Work Machines

QUIETLY, the mechanization of the business office is going forward, as new machines, some of them electronic, supplement the typewriter and other conventional office equipment.

What once took an expert typist an hour to copy, she can now turn out in less than five minutes. Photoduplicating machines can exactly reproduce anything written, printed, sketched, typed or in any way inscribed. Without errors, erasures or proof-reading, they can handle photos, layouts, worksheets — even music scores.

Photocopiers are just one of many machines—either totally new or vastly improved—that are finally

bringing the industrial revolution to the white collar worker.

Some nine million men and women in this country perform clerical work; they represent about 15 percent of our working population. More and more clerical work needs to be done, and more and more people are doing it. Yet businesses, both large and small, find that the time lag between the executive decision and the actual operation is increasing as paperwork multiplies. Almost any production line has to cope with fewer bottlenecks in a year's work than does the average office.

An industrial consultant recently told an assembly of management

officials that productivity in the office could be increased by 28 percent if employee potential were fully developed. Some of that potential is about to be realized by the adroit use of more efficient tools.

Even familiar office machines have been so much improved that they would be practically unrecognizable alongside their prototypes of twenty or thirty years ago.

The dictating machine that permits the secretary to continue her work while her employer finishes off his correspondence is a well-known boon. But heretofore in transcribing dictation, the secretary has had to be on the lookout for corrections and after-thoughts. Now there is a machine with which the boss can remove his errors when he makes them and can add his second thoughts where they belong.

Another recording device can be attached to a phone to make a verbal record of rush orders from impatient customers who must have immediate shipment. Such recordings are acceptable legal evidence and can be filed away until written confirmation arrives by mail.

It is not only dramatic and expensive machines, such as electronic "brains," that can drastically alter office procedures. Relatively prosaic and modest devices can do this for the office of four or five people.

In the realm of duplicating equipment, great strides have been made. Most large industries are already acquainted with the various kinds of photo-duplicators. But now, practically any business can use such machines profitably. The small businessman has a money-saving surprise waiting for him.

WITH ONE kind of photocopier, any number of exact photographic reproductions can be made from a translucent original at a cost of less than three cents per standard page, for time, material and labor. A 380-page manuscript was turned out for a major publisher in about an hour, a little less than ten seconds per page, at about two cents each.

Opaque material, bound or loose, can be handled by another photo-duplicator. The cost is approximately ten cents per page, and the process takes only a few seconds longer than that for translucent material.

All these machines are simple to operate, and none requires any special conditions in the business office. They are made by some well-known and some smaller companies—Eastman Kodak, Ozalid, Haloid, Remington-Rand, Copycraft, Addressograph-Multigraph.

Of course no one photocopier can satisfy all possible requirements. But when the right machine—even at prices ranging from three hun-

dred dollars all the way to six thousand dollars—is selected for the needs of a particular organization, the results can be impressive.

For example, to photostat a standard letterhead, certificate or contract costs about a dollar per page. If a typist makes a copy on the typewriter, her wage cost is about forty-two cents—based on a pay rate of \$1.25 an hour, and typing time of about twenty minutes. But with the opaque copier, the cost is about a dime, and the job takes about a minute. If the original material is translucent, the cost is about three cents.

Such savings as these justify the cost over the long run. Savings in time and better service for customers are further reasons for investment in office machines.

Whatever the bottleneck may be, the chances are that some machine has been engineered to break it. New collating machines, bookkeeping systems and budget systems presumably do everything but guarantee profits. Inexpensive microfilm saves storage space and, in some cases, rent.

Eventually, the *electronic* revolution will come to the business of-

fice. Perhaps this will happen sooner than we imagine, for technological advance tends to snowball. The scientific groundwork has already been laid to make this revolution a reality, and its principles are increasingly finding concrete, ingenious applications.

AT PRESENT, insurance companies, department stores, banks and other large business organizations are using electronic equipment for bookkeeping and inventories. Desk-size, movable electronic computers are in production, and when assembly-line techniques bring prices down, many smaller offices will be making room for electronic devices capable of speeding up many operations. The better integrated business organization made possible through electronics will be able to gather up-to-date statistical information on all phases of business. Machines now available and those yet to come will require the clerical worker to be a person of more exclusive skills. In becoming more skilled and more productive, he may yet achieve a payroll par with the blue-collar man on the production line. ■



Butter Boom

Uncle Sam's dairy cupboard is now groaning under the burden of 931 million pounds of surplus butter and eggs. That is more than double the 429 million pounds of last year and there is no relief in sight. The Government will probably have to buy more as milk production continues to rise.

From the Rostrum

Excerpted from a recent address by Mr. Canham at the Sixth Annual Conference of the Public Relations Society of America, Inc., in Detroit, Mich.

by Erwin D. Canham



American Economic Life Today

An analysis of factors underlying the dynamic achievements of the American economic system

THE WHOLE concept of freedom in government, in the deepest American political sense, is based upon balance of powers. We have divided executive from legislative power, and judicial from both. We have separated federal from state power, and we even have municipal and county power—sometimes overlapping redundantly. If political power should be balanced, as we know in political theory it must, so should economic power as well.

My thesis today is that we are reaching more balanced economic power, short range and long range, in the United States than ever before. My thesis is that this situation has produced a measurably new economic system in the United States, that this fact is meaningful to the entire world.

So let us take time today to examine the nature of the American economic system in concrete terms. This is the sort of thing, I believe, we ourselves should understand and communicate to others.

FIRST, what has the American economic system achieved?

A prodigious volume of production. The United States has but 6 percent of the world's population and land area, but it produces from 40 percent to 50 percent of the world's goods. Production has in-

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creased thirty times between 1850 and 1950 while the labor force grew less than nine times.

Shorter working hours than ever before. In 1850, the average in American industry was seventy hours a week. Today it is about forty.

Productivity: constant increase in output per man-hour. This is different from and almost more important than mere volume of production. And productivity per man-hour has increased sixfold since 1850. In the past three or four years it has gone ahead at a greater rate of increase than ever.

Greatest capital plant in history. Our capital plant, both public and private, is of staggering proportions. And it is not all visible. How much, for instance, does our great highway system add to the productivity of American industry? After an immense expansion of capital plant during World War II, we have continued its enlargement at an unprecedented and wholly unexpected rate. In 1950 we built twenty-eight billion dollars' worth of new construction; in 1951, thirty billions. These vast additions have kept our economy far ahead.

Highest incomes, most widely diffused, in world. Money is an easily misunderstood measuring stick. But it represents, in part, man's rise above serfdom. Real wages in the United States are some ten times as great as those in

the Soviet Union. In 1840, non-agricultural wages in the United States were about eight cents an hour; now factory wages average \$1.64 an hour—twenty times as much. Allowing for increases in the cost of living, the actual purchasing power of wages is four or five times as much today as in 1840. The average income of the poorest one-third of American families and single individuals in the fiscal year of 1935-36 was \$470, or \$820 in terms of 1950 prices. In 1950, the average income of the poorest third had risen to about \$1,250. In contrast, wealthy people's share in the national income had been drastically reduced. In 1929, the one percent of the population in the highest income group got 19 percent of the national income. In 1946, it got only 8 percent.

Behind each of these material symbols lies a potential spiritual advance. Their importance is to be measured in the degree to which they have freed man for his destiny. And plainly, the United States is still in full transition. But we have a great opportunity to achieve higher values in society for man. Some of these values we have already begun to attain.

WHY HAVE these gains been possible?

Geography. The physical isolation of the American continent has helped—its freedom from wars of

devastation. But more valuable than isolation have been size and resources. We have enjoyed a vast tariff-free area, which has helped make possible mass production and mass markets. And our national resources in land, forests, minerals, petroleum, coal, iron, water power were and are a vast advantage compared to many other nations.

Human resources. Comparable to the value of our natural resources have been our human resources. We have had the indispensable boon of a steady flow of restless, dynamic, vigorous, diversified people. It is our most valuable import. The United States represents a community of rich, fertile diversity.

Nature of the system and the people.

- Nothing is more important, more contributive to the American achievement, than the spiritual foundation on which the republic is based. Men "are endowed by their Creator," wrote the founders, "with certain inalienable Rights . . . Life, Liberty and the pursuit of Happiness." And their republic was founded on a recognition of man's debt to God. It was spiritually buttressed.

- The society thus brought into being became in due course a classless society. The equality of man was realized in the sense of opportunity, though not at once. And with the steady evolution of the

economic system today, inequalities are being reduced, opportunities are widening, false social vanities diminish. Slowly, but very significantly, we make progress over racial prejudices and inequities.

- An invaluable attribute, going back to the needs of the frontier, is team work, sharing. It is shown fantastically but most fruitfully in our voluntary private organizations. It is shown by a team of men operating a machine, or by natural scientists, or anywhere. We are a social people, and this is useful.

- The importance of productivity is transcendent when seen not merely as "things," but as greater job satisfaction, greater capacity to provide for needs and wants, greater job security, richer community values. This basic attribute of the system helps explain its results.

- Nothing has contributed more to the growth of the American economic system than the development of research. Today at least three billion dollars a year is being spent on research—80 percent of it by the big corporations. Only twenty years ago, scarcely one-fiftieth of this sum was being spent. Government is of course responsible for a significant share of current research. But the chief load is carried by the big corporations, and the whole world is the gainer.

- Willingness of business enter-

prises to pool their experience, which has grown swiftly in the last quarter century, springs partly from trade associations and other voluntary organizations, partly from the atmosphere of cooperation and community which goes back to the frontier. Likewise, the age of research is an age of sharing. There is wide realization of the fact that all gain from interchange. Patent pools help, and the fact of patent protection makes trade secrecy unnecessary.

Competition. Volumes, of course, could be written on the contribution made by competition to the effectiveness of the American system. Lately, the growth of big business has disturbed many who saw old-fashioned price competition diminish in many lines. But it was apparent that in place of price competition, many other competitive elements persisted or grew stronger. "Big Business in a Competitive Society" is the subject of a major research project of the Brookings Institution, of which a summary was published by *Fortune* magazine in February, 1953. This lucid fourteen-page report shows that bigness is not synonymous with monopoly or oligopoly. The contribution of technological growth to real competition is emphasized. In any event, competition is as real today as ever in the American economy. Without it, the system would wither on the vine.

Techniques.

- The degree to which Americans have put mechanical power to work for them explains a large part of the increase in production and productivity. Men and animals in 1850 contributed 74 percent of the total energy used in American production. Men and animals in 1950 contributed only 7 percent of the total energy. Machines did 93 percent of the work. In 1933 Wendell L. Willkie asserted that the power to be produced at Norris Dam would be surplus—without a market. Today, new power plants equivalent to seven Norris Dams are needed every single year to meet the increasing requirements of the same region. And our use of power is not merely in large chunks. In 1950, to mow lawns and beat up eggs, to cut whiskers and agitate complexions, to do all the other tiny chores of home, industry and recreation, we manufactured twenty-eight million small engines and fractional horsepower electric motors, producing twenty-five million horsepower. In 1951, '52, '53 we must have manufactured even more.

- A great part of today's research and study concentrates on process, rather than product. Processes are becoming generalized, interchangeable between one manufacturing activity and another. They lead to subcontracting, which enormously increases productive capacity and strengthens

small business. Development of process — how to do things — strengthens labor and its mobility. The totally mechanized factory and the mechanical brain are already here. They illustrate the study and application of process. But better understanding of human relations is another great revolution in industry, another form of improved "process." It is quite possible that new achievements in the field of social engineering lie ahead quite as marvelous as what we may discover and apply at the heart of the atom or out at the sun.

Labor attitudes. The evolving position of labor is closely related to the foregoing factors. The long-standing skills, availability, and eager progressive attitudes of American working men and women have been one of the incalculably great causes of our economic achievement. It should be said first of all that American labor has always and overwhelmingly been committed to our system. Labor has not wanted, with rare exceptions, to overthrow capitalism. It has wanted more of the fruits of capitalism. Most workingmen have wanted to become capitalists. Most capitalists have been workingmen first. American unions are less politically minded and dominated than European unions. They have been less ridden by class antagonisms and bitterness. They have restricted output less, and curbed ap-

prenticeship less. But these problems have existed and do exist. There is a basic sense of conflict which is still unresolved. Nevertheless, unions are becoming more interested in production, more willing to cooperate, and management understands better the need of bringing labor into a sympathetic partnership. American labor in its differences from organized labor in many other parts of the world is a potent contributing element in the total system.

Institutions. Last, but very far from least, the institution of the corporation, which made possible the bringing together and use of capital, is doubtless one of the most important of all factors in explaining American economic progress. Wide ownership, professional management, awareness of obligations—all stem from the corporation. The typical big corporation is a public institution. Employee ownership is increasing. The usefulness of capital and the democratization of ownership are increasing elements in maintaining a strong popular-based economy.

ARE WE at the beginning of an era or toward the end? The answer turns on many factors. Possibly the greatest challenge to American capitalism today (after the challenge to all of us to prevent global war) is to stem another catastrophic depression. Business is far

better equipped today to prevent a depression than it was in 1929. And business should not wait for government to attempt the job. Business can save itself, and all the values for the world set forth in this study, by facing up seriously and adequately to the threat of recession. For a serious slump in the United States would affect every part of the free world, and benefit the totalitarians more than almost anything else could.

If business is able to do its part in the face of cyclical readjustment, it will have won its chance to go forward.

And indeed, all the potent emergent elements set forth—perhaps too uncritically—in this examination are at hand to help make the future bright and fruitful. Above all, they are available as a prototype to show humankind the deeper eternal values inherent in a system

based on the significance of individual man, committed to a voluntary social compact. Not that the American economic system, in particular, is the answer to the needs of any other people. But parts of it will be. And it shows what free men can do as they strive to make their freedom more genuine and their union more perfect.

The changed and changing nature of the American economic system is one of the greatest facts of the mid-century. Marxism is no longer a valid criticism of capitalism, if it ever was. The problems that Marx thought he saw have been solved, and many more besides. Cartels at one extreme, Communism at the other, Socialism in between are all inapplicable to the dynamic of free but responsible enterprise.

Let us prove in social awareness and action the power of free men. ■



First Cash—then Carry

Soviet-style super markets have made their first appearance in Czechoslovakia.

Under the trade name "Gastronom," a state-run chain system established the first three markets at Prague. By spring 1954, Communist propaganda promises, a total of fifteen Gastronoms will be in operation throughout the country. Advertisements keep explaining to the public how housewives will be able to buy everything "from potatoes and noodles to caviar and sandwiches" in one store.

But purchases will be made on a "first cash then carry" basis. This means that the consumer will have to line up in front of the cashier, tell him what he desires to buy and then deposit the adequate amount of cash to cover his purchases. Only after full payment will he receive an assignment for the desired wares enabling him to line up at the respective counters.

—News from Behind the Iron Curtain

What Kind of Boss for Modern Business?



Geared to a nation's economic expansion, our giant businesses press new and complex demands upon those who run them

WHAT DOES it take these days to be the head of a business? It takes a lot—a great deal more than it used to. And it isn't just the president of a General Motors or a United States Steel who is hard-pressed. Even the head of a medium-sized enterprise which must operate in an atmosphere of competitive development and constant readjustment has a dazzling array of problems to tackle every day.

The modern boss must know, appreciate and understand a variety of things which are as bewildering to an outside observer as the power plant of an atomic submarine is to an old-time coal stoker. And it is beginning to dawn on people who

are likely to worry about such things that it will take as painstaking a course of study to train industrial leadership for tomorrow as it takes to train scientists for the atomic age.

For many of those who aspire to become corporate managers, it means a return to the classroom and a restudy of some elementary factors in human behavior. Witness this scene in an oak-beamed room, where some forty-odd management men have gathered for an after-lunch session during a recent six-week course in Columbia University's Executive Program in Business Administration. Looking for all the world like a bunch of college boys in sports sweaters and

bright-checked shirts, these transplanted men of experience, most of them from "middle management," watch intently as two men in the room put on a performance.

These two men are engaged in "role playing," acting out a true-to-life situation taken from a common problem in industrial relations. One of them, in reality the controller of an oil company, is taking the part of a factory foreman. The other, a college professor, is assuming the role of a worker who has skipped three days of work without calling up to explain his absence. The purpose of this mundane drama is to test the "foreman's" flexibility and skill in handling the "worker."

The attentive audience is told in advance—while the "foreman" waits out of hearing—what the miscreant's story will be. It is a harrowing account of a fatal auto wreck which has shaken the worker mentally and physically. When the "play" unfolds, the foreman hears out the worker in all earnestness; but when the latter's story is over, the foreman proceeds to recite from the rulebook and dress him down, thus evoking the "resentment" of the worker.

The onlookers get the point of the lesson: to override the other fellow's point of view in any question of rights or regulations is not a good way to carry out effective employee relations. Thus another

forty-five-minute session comes to a profitable close.

CONDUCTED at Arden House, the famous hilltop mansion near New York City, this "role playing" episode represents just one phase of Columbia University's six-week program. And this is one of at least a score of such programs in executive training begun in the last few years at various centers of study throughout the country.

The spurt of interest in these programs reflects something new in American life—an anxiety over who is to take over our future business leadership. Don G. Mitchell, chairman of the board of Sylvania Electric Products, Inc., calls it "an aggravated case of too many Indians and not nearly enough chiefs."

Is this the fault of anyone in particular? Not unless somebody can be blamed for not having foreseen *in toto* how our economy would expand and how our country and the world would change, especially after World War II. For this is the crux of the problem.

Research, production, trade and distribution threaten to grow too big and too complicated for the number of brains available to direct them. Or rather, they look as if they could grow big and complicated enough to accomplish new marvels of human betterment—if only enough able men could be found to guide them.

The extent and variety of talents a modern boss must possess show why a shortage threatens. It is the troubled world, and no quiet corner of it, that the corporation manager operates in now. Every business is affected by the continuing threat of war, whether production contracts are being considered, protective construction of new buildings or market expectations. With U.S. supplies running low in many minerals, more and more industries and firms must depend on foreign sources for raw materials. Some of these countries are politically volcanic. And with industrial development spreading and new types of markets being opened overseas, very few corporations lack cable addresses on their letterheads anymore. Whatever he decides in these fields, the corporation leader must to some extent coordinate his decisions with ever-developing official foreign policy.

Increasingly, top managers must know how cocoa fits into the economy of Madagascar and what bestirs the people of the Philippines to overhaul their railroads.

The growth of governmental power in Washington also confronts the corporation manager on many issues. Questions of taxation, defense needs, government securities, labor relations, social security, power regulation, and so on, all require him to keep up with new laws and agency decisions. Particu-

larly if he works for one of the bigger corporations in a basic industry, the manager must act in some harmony with governmental or public attitudes. Many of his decisions eventually reach right into the living rooms of citizens and consumers generally.

These decisions may touch on employment, wage levels, stream pollution and myriad other factors beyond the quality or price of the goods he turns out. To be big is to be responsible; to be big is also to be conspicuous. If the manager of today fails to exhibit genuine and lively concern for the community and national interest, then he, his co-managers and his stockholders stand to lose out in the not-so-long run under adverse public reaction.

OTHER new conditions crowd more directly into the manager's everyday affairs.

It is characteristic of our technologically developed economy that the manager, while he may not have to be an expert in astro-physics or cytology, must be able to evaluate such pursuits in his company's operations, particularly in the creation of new products. Some background of technical specialization may be essential, depending on the business. In any case, the manager must judge how much money is to be spent on research for its own sake, and how much for improvement or development.

And when he deals with the practitioners of the more abstruse sciences, he must take into consideration that they often generate their main enthusiasm from a separate world of realities and relationships not necessarily in practical touch with the business at hand.

Labor relations also demand from the manager an understanding of attitudes and values not his own, as well as knowledge of labor law and contract provisions. In man-to-man contract negotiations as in collective bargaining, to the extent he shows himself informed and fair the manager helps not only his own company but the whole economy get ahead in greater unity of spirit and purpose.

WHEN he turns to inner administration, our manager does not find his duties laid out in a progression of simple steps. The growth of American industry shows in complexity as well as in bulk and influence.

The splitting of functions and responsibilities into branches of financing, budgeting, production planning, production control, engineering, research, design, purchasing, marketing, personnel, time study and all the rest goes on every day. It is up to the top manager to channel *all* these activities into results that win public acceptance and return profits.

Here he must display the verve

of a Toscanini. If he does not know how to play every instrument himself, he must know how they all should be played, and he must be able to summon up one harmonious combination of them all when played by others. And, of course, he must know the compositions on the program, the acoustics of the hall, the tastes of his listeners—in other words, the business.

The question of which comes first—knowing how to get people to work together or knowing the business—starts many arguments. But plenty of evidence exists to show that if a man with developed ability as an administrator and an absorptive mind goes into a business that is new to him, he gets things done successfully. Lucius D. Clay left an army generalship and experience in engineering, military procurement and government to take over the chairmanship of the Continental Can Company. General MacArthur did the same thing at Remington Rand. A number of other former army and navy chiefs have caught on similarly in a variety of business and financial enterprises.

IN COORDINATING the efforts of many hundreds or thousands of employees, the typical corporation manager must contend with new perplexities in the field of human relations. Basically the problem is how best to handle the contribution

of individuals in conjunction with the massive and tremendously productive systems that can now be set up with the mechanical and scientific tools at hand.

The application of the mass production principle to the office and laboratory as well as to the production line boosts output, but it sometimes corrodes morale. Some employees lose the pride and satisfaction of seeing their efforts lead to tangible results. This often opens the way to personal alienation from the work at hand and mixed resentment and envy toward the people who seem to exert exclusive command over what the employees do and what the enterprise adds up to.

Size alone raises difficulties. How can personal contact with thousands of employees be kept up? In the face of such problems, it patently is not enough for the top manager to know how to turn out the maximum number of valve heads with the least waste of material in the shortest possible time. He cannot simply *use* his employees, but must find ways for them to *participate* in what they can agree is a common endeavor.

Even among the professionals and heads of departments who share in making decisions, the manager finds his problems in human relations. Personal jealousies and clashes of interest erupt more sharply (though perhaps more po-

litely) at the upper managerial levels, where individuals strive more actively for achievement and for prestige and favor. It takes a strong but subtle hand to control these drives and possibly to harness them for the benefit of the company.

BACK in the seventeenth century King Gustavus Adolphus of Sweden set up two separate groups of army officers, one to aid him directly on policy and general details, the other to carry out his orders in the field. Having been tried out through military history, this "staff-and-line" concept today determines the human framework of most of big corporations. Staffs brief the top bosses and carry out special assignments. Line executives direct the various separate branches of design, production, distribution and so on. In recent years serious doubts have arisen over the adaptability of this system to an ever-growing industrial economy.

The top managers of the future must see to it that if and when their companies continue to grow physically, they must not become mired by the sheer weight or cumbersome of organizational structure.

The big companies are trying out a variety of approaches to train men for top management responsibilities. The post-graduate schools for experienced executives represent for the most part an effort to

ready men of middle years—soon.

Some firms put more faith in on-the-job training and strive to shift their candidates around from sales to inventory control and from New Orleans to Sioux City—to give them a feel of the enterprise as an entity. Many now allow a free say to understudies on important issues, without necessarily giving them authority right away. They call this “participative” or “multiple” management. A few are going so far as to shake up their organizations, which have been geared for maximum efficiency, in such a way as to get maximum *training* efficiency. A number of large firms now select bright young “crown princes” to be boosted to top management by rapid promotions.

WHAT about formal training for management? Last year more college students majored in business administration than in any other field; but this trend does not settle the question of whether specialized training or liberal arts training is the better preparation for top management needs. Some companies privately stress the former on the hiring level, while publicly advocating the latter as general policy. Confusion persists, but both educators and top executives recognize the confusion and are working together to solve it.

Of course, despite the emphasis on what the new manager has to

know, individual spark remains important. As prime intellectual equipment Professor Melvin T. Copeland of Harvard's Graduate School of Business Administration stresses “a multiple-track mind with rapid switching facilities.” Along with this must go an ability to maintain the long view—while embroiled in present details—and a readiness to delegate responsibility to others.

In bringing his talents to bear, however, the manager of today and tomorrow must act on the basis of broader considerations than touched his high-collared predecessor. In his book, *Big Business: A New Era*, David E. Lilienthal says:

“There was a time when it was considered that a business management was doing its job if it satisfied its owners and its customers. Then later the company's employees and their union representatives were added to the list of those who had in some way to be satisfied or mollified.”

Today, “our top industrial leadership has assumed, and it now bears, not only responsibility for production itself, but for a whole range of the social and political problems which are to be found in a modern industrialized nation. In short, there has been a revolution in the nature of active responsibility of Big Business. The president of a large company is now responsible to practically everybody!” ■

Radio Free Europe daily pierces the Iron Curtain, and in response hundreds of letters from East Europe filter through to prove that people are listening eagerly



Pinholes in the Iron Curtain

AS YOU read this, someone behind the Iron Curtain is taking his life into his hands by writing a letter.

Perhaps he is a Bulgarian industrial worker, a Czech miner or a Polish farmer; or simply a Romanian, or Hungarian or Albanian. But he writes because to live is to hope, even if that hope puts his life in jeopardy. And in so writing, another pinhole is punctured in the Iron Curtain.

These letters come in response to furtive listening to Radio Free Europe, whose twenty-one transmitters beam programs to an eager, if fearful, audience in Communist-held countries in Eastern Europe. Not all letters are thankful. Some criticize specific programs or chide RFE for not urging an immediate war of liberation. Some are fan

mail for a particular broadcaster or entertainer. But all are evidence that RFE penetrates the Communist barriers and nurtures the dream of the oppressed to be free.

Laws have been enacted by the satellite countries that prohibit the dissemination of propaganda of a "warmongering" nature. "There have been cases of people arrested for possessing such warmongering material as Western newspapers and magazines (even including fashion magazines which might cause dissatisfaction with conditions behind the Iron Curtain)," says Walter H. Nelson of the American Heritage Foundation, one of the chief fund raisers for RFE.

Despite the jamming tactics of the Communist authorities, the broadcasts get through. Despite the severe penalties to listeners who

are caught, the numbers who listen increase. So effective is RFE that the Reds spend more money trying to drown out its voice than RFE spends in transmitting the truth to the people behind the Iron Curtain. Official protests to our State Department are useless since RFE is the work of private citizens. The money which makes possible the work of this crusade comes from donations and gifts.

The actual broadcasting to the satellite countries is done by known and respected exiles and escapees—writers, political leaders, entertainers, editors, teachers, clergymen. They speak to their countrymen, not as propagandists for another nation, but as free men talking to their confined brethren who, nevertheless, are determined to keep freedom alive where it has been choked and left gasping. These broadcasts expose and ridicule Soviet propaganda and action. Police informers are identified, brutalities are exposed, and the people kept informed of events on both sides of the Iron Curtain.

All Communist broadcasts are monitored, analyzed by experts, and the information is compiled and evaluated. So effective are the RFE darts and arrows aimed into the Communist hide that the bellows of rage from the Communist press grow louder each day. It is not safe for the hopeful letter writers to address mail to RFE direct, or

even use letter boxes in Western Europe. Fictitious names and cover addresses are now being used.

The National Committee for a Free Europe, another arm of the Crusade for Freedom, encourages and assists beleaguered groups in satellite countries. A factual report is published monthly, entitled, "News From Behind the Iron Curtain," which is avidly read throughout the free world. In Strasbourg, France, a Free Europe University in Exile is maintained, where two hundred young men and women refugees receive professional training under normal university conditions.

The exiles who study and work and broadcast to the seventy millions of their countrymen know they are loosening the Soviet grip on their homelands. As victims of political slavery, they more acutely understand the methods and minds of the Kremlin plotters, who have already harnessed 800 million people, a third of the world's population, to the bondage of Communist tyranny. They know that communism will not deviate from Lenin's aim: "It does not matter if three-quarters of mankind is destroyed; all that counts is that ultimately the last quarter becomes Communist."

To the hard core Communists we say: "Behold the pinholes; they are tomorrow's breaches in your loathsome Iron Curtain." ■

The Office of Defense Mobilization treads a narrow path between encouraging the industrial needs for defense and not discouraging the normal pace of the peacetime economy

DEFENSE AND THE “BALANCED” ECONOMY

TAXES are very much in the news these days. While most of us sit down to complete our annual battle of wits with the Internal Revenue Department before March 15 (usually a losing battle, but always a stimulating one), Congress and the columnists in the meantime are deeply involved in discussions over how to develop a more equitable, more efficient and more constructive tax program. We are therefore more than a little sensitive to tax matters; so when we read a newspaper item relating how some corporation or other has been given the privilege of a “quick tax write-off,” the pulse quickens. Some readers think they detect a loophole in the tax laws. Others sniff a simple short cut to riches. A few seem to suspect connivance against the public interest.

Not many as yet grasp the implications of the practice which allows a certain business to deduct from annual income — as amortization costs — 20 per cent of its investments in expanding facilities.

Thus, a company recovers its total investment in five years — whereas ordinarily tax authorities would stretch this process out to twenty years or more. This means that instead of a company making lesser deductions against taxable income for 20 years, it makes larger deductions against taxable income for just five years. With the federal government having trouble balancing the budget and since all citizens and companies are not favored by the generosity implicit in quick tax write-offs granted to some businesses and industries, the whole practice is suspect unless viewed with an eye to the over-all needs of the nation.

THE awarding of quick tax write-offs is an urgent and grim matter with long-range implications. What it amounts to is an admission on the part of government that if an industry and its productive capacity is to expand, the money which that industry earns cannot be siphoned off in taxes at rates which

have been customary for the past decade or more. It is regrettable that even such an elementary economic fact as this has difficulty in getting itself recognized. Only the necessity of a guns-and-butter economy has forced us to sit up and take notice. Unfortunately, this revelation has to date benefited the defense industries exclusively, thus putting to disadvantage other segments of our productive economy. In an uneasy world this cannot be helped. At the very least we can hope that at some propitious time the expanded facilities we are now creating can be turned to the production of goods for an ever accelerating rate of growth of civilian markets.

THE concept of a fast tax write-off is not new. During the war years when production facilities had to be expanded to an extraordinary degree, accelerated amortization was used as an incentive to private business to invest in plants which might very well turn out to be a loss when peace came.

The Defense Production Act of 1950 was inspired by the conviction that we would be living through a period of constant readiness for a long time. The Office of Defense Mobilization was authorized to revive fast tax write-offs as one phase of its long-range program to develop "the industrial arm of the mailed fist."

As an over-all planning agency, the ODM measures the long-and-short-term requirements of a nation at peace alerted to the possibility of war. Setting the goals of necessary industrial expansion for defense, the stockpiling of strategic materials for emergency use, keeping tabs on the available sources of skilled manpower, outlining a program for the dispersal of vital industries, and, where dispersal is not possible, developing and coordinating plans for protective construction of new plants — these are the responsibilities charged to the ODM. These are a necessary function of government which the Federal Government can best coordinate, and no one would advise against the exercise of foresight and planning implied in the operations of an agency like the ODM. Short of a total elimination of world tensions, what the ODM does or does not do will have a great effect not only upon the safety of the country but upon the day-to-day operations of business and industry as well.

NOR IS the consumer left untouched by the decisions of the ODM. For obviously, to return to the matter of rapid amortization, a steel mill which expands its facilities and which can recover a considerable part of its investment in five years — obviously such a steel firm enjoys immediate tax benefits which a

manufacturer of ladies dresses cannot enjoy. It is not too difficult under these circumstances to make a case against the discrimination thus practiced against the dress manufacturer—particularly if it can be shown that if the dress manufacturer were similarly favored, he could be turning out more and better dresses at a cheaper price to the benefit of the consumer. Yet, painful though it may be, the steel mill gets the nod because we need tanks and guns badly. Moreover, if the steel facilities had not been expanded, it could come to a choice between tanks or automobiles, a choice which mobile America would be loath to make.

Somewhere between the needs of preparation for defense and the needs of a reasonably expanding civilian economy, the ODM must set goals and establish policies. In promoting defense expansion and piling up strategic supplies, the ODM must be judicious so that it does not stimulate some industries and companies to the serious detriment of others. It must preserve a reasonable balance between the demands of defense and the amount of materials that can be diverted from consumer uses. It must make certain that its forays into the national market do not set off shortages and the inevitable inflationary spiral.

This raises the question of whether controls are necessary; the

trend during the past year has been against them. In 1953 controls were lifted from nearly forty items. Only a few highly critical materials like nickel and scarce machinery such as those used in construction and metal work remain under specific controls.

WITH regard to prices, wages and salaries, the ODM declares that the present lack of controls conforms with economic realities. It believes that current and future industrial capacity will continue to fill the demands of both the defense and civilian economies without undue pressure on supplies. However, with an eye to the danger of new military crises or the re-emergence of severe shortages, the ODM is setting up a stand-by system of controls which will be submitted to Congress when and if necessary.

We have without doubt adopted a mixed peace-war economy. The ODM's job is the unenviable one of gauging the intangibles of an unknown future. Measured against the difficulties of setting goals for stockpiles and productive capacity, the ODM's practice of allowing quick tax write-offs emerges as merely one segment of a whole and complicated chain of decisions and practices.

Since the revival of the tax amortization program in December 1950, over eighteen thousand certificates of necessity have been

issued to companies whose investment in expansion is considered by the ODM to be a significant contribution to the defense effort. A certificate of necessity makes it possible for a company to amortize in five years an investment which would otherwise take twenty or more years.

In his recent report to the President, ODM Director Arthur S. Flemming explained that of the 29 billion dollars for defense expansion reviewed by the ODM thus far, only about 17.4 billion will be allowed to be amortized over a five year period. It is an interesting fact that the remaining 11.6 billion dollars is being invested by private business without benefit of accelerated amortization. Evidently private business has a great deal of confidence in the future expansion of the civilian market even if defense requirements should level off considerably. Another curious point is that industry as a whole, in 1953 alone, invested more than 27 billion dollars in expansion for civilian and defense production over-all—thus indicating that civilian industry expansion is still proceeding at almost twice the rate as defense.

So WHEN we start talking about the billions of dollars involved in the defense expansion plans of ODM and the sizable proportions of this money which are eligible for accelerated amortization—which re-

sults in deferred revenue to the Treasury—we must still keep in mind that the normal civilian economy continues to overshadow the defense to a very appreciable degree. Permitting defense-oriented industries to use their own money to expand facilities will insure a stream of civilian goods flowing to the consumer market even at times when defense needs are high. What is to be done with the expanded facilities of such ODM-stimulated industries once defense needs drop drastically is a problem which undoubtedly will tax the ingenuity of future American economists and businessmen. That the ODM has considered such a possibility is demonstrated in its report to the White House which states that “peacetime use is sufficient to insure adequate maintenance” of *most* of such facilities.

IF WE are to maintain the expansion of our economy, the total volume of goods and services produced (the gross national product) must continue to grow. The rate of business expansion is a significant determinant of the gross national product. Forecasts of over-all business expansion for 1954 indicate that it will almost equal the 1953 rate. Emphasis will not be on physical expansion, however, but on developing new products, expanding and diversifying products, developing techniques and machinery

to cut operating costs, and improving and expanding marketing outlets. In other words, emphasis will be on investing in ways which will improve competitive position.

IF in the long run we are to continue to raise our standard of living, we must continue to move closer to a 400-billion-dollar gross national product—which some predict we can reach before 1960. With or without defense diversions, this is a tall order. Certainly, for the immediate future, the defense effort will continue to eat up chunks of the total pie represented by the gross national product. To satisfy this appetite without starving the civilian, we must make deference to the defense industries. Allowing business and industry to use its money to this end is just plain good sense. It is certainly better this way than to over-tax everyone

and then let the Government spend the money.

If the ODM policies, through the judicious and consistent exercise of foresight, puts the country in a better position to live with its defense effort, so much the better.

ODM Director Flemming is aware of the delicate nature of his agency's job. His report to the President states: "One of the major problems in this program is to determine the proper balance of indirect measures and direct controls to combat inflation in the event of an emergency." That word "emergency" crops up again and again. If it were not for emergencies, the problem of long-range plans for the future, with a constant expansion of the economy in mind, would not be subject to the rude intrusion of the possibility of a war. War is the fly in the ointment. We must live with it even in "normal" times. ■



"Do-It-Yourself"

The booming trend of "do-it-yourself" sent paint sales to homeowners to near-record totals in 1953. Emphasis on consumer selling in 1954 primarily will be to service the individual requirements of homeowners who are tackling the paint chore themselves.

This calls for a greater flow of new paints to meet special home decorating problems. Some recently introduced include lead-free enamels, heat-resistant paints, dry wall primers that allow a second coat application in just thirty minutes, instant floor sealers, and colors that simulate frosted glass.

Last year paint sales reached \$1,400,000,000, against \$1,300,000,000 in 1952. The home craftsmen was primarily responsible for the increase. Manufacturers are intensifying their research to learn how best to satisfy his needs of easy application, with a ready-to-use product.

— *The New York Times*

From the Bookshelf

SOCIAL RESPONSIBILITIES OF THE BUSINESSMAN; a study by Howard R. Bowen; sponsored by the Federal Council of Churches as one of a series on Ethics and Economic Life. Harper & Brothers. \$3.50.



Profits and Honor

Today's concept of business profit is tied to a mass of social considerations dictated by law and inviolable cultural values

ONE OF the most striking phenomena of our time is the change that has taken place in the attitudes of businessmen towards the society they live in. It wasn't so long ago that President Roosevelt (Theodore) spoke of "those malefactors of wealth," and William Allen White, one of the grand old men of political journalism, described a man he didn't like as having the "talent of a meat packer" and the "morals of a money changer." Businessmen, it was felt (and especially among businessmen), are and should be interested only in making a profit and need lose no sleep over the general welfare.

Professor Howard R. Bowen, who teaches economics at Williams College, believes that while this may have been true fifty or even

twenty years ago, it no longer wholly explains the actions—much less the beliefs—of the American businessman in 1954. As he somewhat academically puts it, "the day when profit maximization was the sole criterion of business success is rapidly fading." Something new has been added.

That something new is a growing awareness among business leaders that they cannot and should not seek to escape the social consequences of their acts. As corporations get bigger, employing more people and supplying larger markets, their production plans, price policies and wage schedules affect the lives of all of us.

This does not mean, as Dr. Bowen clearly shows, that "most or many of the problems of economic life could be solved if only businessmen,

miraculously, would begin to conduct their affairs with primary regard for the social consequences of their actions." If they did act in such a fashion, they wouldn't remain in business for long, and then the general welfare would really suffer.

On the other hand, no businessman—no matter how powerful he may be—can today make a decision without at least considering other factors besides profits.

IN THE first place, there are innumerable laws that prevent the carrying out of policies that may be profitable but are socially undesirable. He cannot hire children; he must pay his workers a minimum wage and protect them against undue accident hazards; his products must conform to certain minimum standards of quality and the competitive nature of his prices is required by antitrust laws. Wherever he looks, today's businessman finds it difficult to stray from the path of "social responsibility."

Even more important, in Dr. Bowen's opinion, is the growing awareness among many business leaders that unless they assume certain social responsibilities the government will step in and do it for them. Our social ideals have been modified by two wars and a depression, and businessmen realize that public opinion "can support freedom and private control of en-

terprise only if it is conducive to the general welfare by promoting a high standard of living, contributing to social justice, etc. We judge its success or failure in terms of the public interest." If corporation policies fail to meet this test of public interest voluntarily, others will do it for them.

But it would be unfair to suppose that the only reason businessmen are behaving more responsibly than before is that they have to. Businessmen don't live in an ivory tower apart from the rest of society; they are influenced by the same ideas as the rest of us. They read the same books, meet the same people and go to the same schools. The result is that they have accepted, at least in part, society's ideas on how a business should and how it should not be run.

THERE IS another consideration. In the past, businesses were generally run by the men who owned them. Their point of view, naturally enough, was directed towards making an immediate profit. In today's larger corporations, the day-by-day business management is in the hands of salaried executives who are not dependent on dividend earnings for their living, and can afford to look upon the corporation as something more than a creature of the stockholders. The result, as Dr. Bowen puts it, is that "the (modern) executive is likely to be a man

who is more concerned with the broader aspects of management and who is more attuned to the social implications of his job than the manager or owner of an earlier day."

This attitude is particularly true of the larger business which can "afford the luxury of philosophizing." These corporations enjoy a degree of security for the future which is denied newer and smaller companies still struggling for a foothold in the market. They can forego immediate profits for the sake of long run gains, and, since they are constantly in the public eye, they are apt to do this planning in a more responsible manner.

Dr. Bowen believes that this trend towards greater social awareness on the part of business is a healthy sign, but he recognizes that there is a limit to how far business can or should go. If we believe in the capitalist system as the best means yet devised for increasing our standards of living (and Dr. Bowen does so believe) we must put up with the fact that the final determinant of who gets what share of the economic pie is still the good old law of supply and demand.

WHAT DOES this mean? Quite simply, it means that while it might be a wonderful idea to provide workers with a four-hour working day at ten dollars an hour, society at present just couldn't afford it—that

is, we couldn't afford such *high* rewards for so *little* production. Production costs would zoom and so would prices, with the result that our loss of purchasing power would completely wipe out our wage gains. Such a policy, while admirable in itself, would be the height of social irresponsibility.

On the other hand, Dr. Bowen disagrees with those who say that social responsibilities, such as buying expensive safety equipment, inaugurating elaborate pension systems, installing air conditioning, etc., are unjustifiable—because they increase production costs and result in higher consumer prices.

It is all a question of degree. If the production costs resulting from a pension scheme, for instance, push prices beyond the consumer's ability to pay, then the pension plan is unquestionably harmful. On the other hand, there are circumstances where an increase in production costs may be worthwhile, for, as Dr. Bowen points out, greater productivity and cheaper price are not the only criteria for judging our standards of living. "The welfare of society," he says, "is related not only to the quantity of final goods and services, but also the conditions under which these goods and services are produced."

We are, for example, better off with a fifty-dollar suit produced under modern working conditions than with a suit produced in a

sweatshop, although it may sell for only thirty-five dollars. The gain in our general welfare more than offsets the higher price to the consumer.

THE POINT that worries Dr. Bowen, and most people who have ever thought about the problem, is that as long as businessmen retain their power of decision-making in business, their ideas on social responsibility will tend to be nothing more than a smoke-screen covering their own special interests. While Dr. Bowen thinks that much of what businessmen say is sincere, he observes that their point of view also serves their immediate interests. And, Dr. Bowen points out, their idea of what is good for the people—however honestly held—need not correspond to the real thing.

The solution to this problem, in Dr. Bowen's opinion, lies in getting more representation for other groups besides businessmen in the formulation of business decisions. Most of the plans he suggests, however, seem unrealistic or unworkable. His idea of a "social audit," for instance, which would subject corporations to periodic inspections by independent outside experts (lawyers, economists, person-

nel specialists, clergymen, etc.) who would evaluate corporate performance from a *social* point of view, might seriously hamstring efficient administration. At best it would duplicate work better done by the corporation's own management; at worst it would provide a fine battleground for conflicting pressure groups.

The fact of the matter is that in our dynamic society, with its emphasis on increasing productivity for an ever-expanding consumer market, the businessman must assume his social responsibilities if he wants to remain in business. If, for example, he wants to produce more, he must be able to compete successfully for skilled labor. And that means improving the conditions of production. The same applies for the quality of his goods, his prices, etc.

Therefore, there is a very real question whether giving labor or the consumer a bigger say in business decisions would help accelerate this trend. It is difficult to see how we could force business to take the advice of labor unions and consumer panels without adopting totalitarian tactics. Besides, what proof do we have that other economic interests are more socially responsible than business? ■

* * *

The World's greatest storehouse of unused water power, estimated at 130 million horsepower, is in the Belgian Congo.

ECONOMICS IN ACTION

expenditures for fiscal 1954-55 due to be cut \$5 to \$6 billion (most of it in defense), industry will come to rely more than ever on consumer spending. The big question mark: are we able and willing to increase our spending enough to keep the factories running at the same rate as in 1953?

Wage income will continue high, with white collar workers expected to benefit most from tax cuts and future price dips. Factory workers, on the other hand, will suffer from smaller overtime pay.

Living costs have at last responded to falling farm and raw material prices and will continue to fall about 2%. The smart housewife will be able to stretch her consumer dollar farther than has been the case for some time.

Prices of consumer durables, such as TV sets, autos, air conditioning, etc. have already begun to fall, and the drop will continue as selling gets more competitive.

The big factor that will determine spending plans will be the employment picture. Our personal savings have increased at a record post-war rate of over \$16 billion in 1953, and businessmen hope to lure some of this unspent money into their cash registers. With prices headed downward, chances are that they will succeed as long as jobs remain secure.

Our overseas friends are keeping an anxious lookout for any business decline over here. While Western Europe's industrial output soared to all-time highs in 1953, her dollar hungry economies would go into a tailspin if a serious downtrend should develop in the U.S. Here is what Europeans are afraid would happen:

ECONOMICS IN ACTION

Tariff reductions recommended by the Randall Commission would get short shrift from Congress as politically powerful groups plead for protection against foreign competition.

Stiffer competition overseas from American producers selling at lower prices could wipe out Western Europe's export markets.

Foreign economic aid, already on the way out, would dry up completely. Even more important, U.S. agencies would curtail their overseas purchases and rely more on American producers.

All this would mean fewer dollars with which to buy American goods. At present, Western Europe's gold and dollar reserves are close to \$11 billion; but a serious shrinking of her American markets could wipe this out in no time. Without valuable American equipment, on which her industrial expansion depends, Western Europe's economies would crumble. And that might signal an eastward shift in quest of Russian gold to pay for American goods. Chief beneficiary: the Soviet Union.

The Department of Better Mousetraps: an economical shower valve that automatically shuts off water after a 60-second rinse...a combination ball-point pen and lipstick...a cigarette lighter with a liquid eye which reads "OK" when the lighter is full, but fades when it's time to refill...frozen clam chowder...a portable water-cooled air conditioner that can be used in either home or car...and finally, an electronic brain that gets warmed up—in preparation for more serious business later on—playing music. Scientists can set the computer to carry any simple tune within the range of two octaves.